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EDITORIAL—SOME HIGHLIGHTS

I. General Economic Scene

State :

Perspective Plan : Supplemental to the Basic Framework for the Perspective Plan reported in Vol. III pages 547-548 and 691-692 of the last issue, the other components of the Plan are being developed. The 23 District Plans which form the basis of the perspectives have been consolidated into a chapter explaining their rationale, methodology, constraints, highlights and a brief summary of each plan. As expected, the plans have varying priorities in relation to their resources, Fourth Plan performance and constraints. Within these priorities, the backward areas in each district receive special attention in terms of minor irrigation works, dry farming technology and small industries and a beginning with medium industries. All plans make provision for the anti-poverty effort through the minimum needs programme. The most backward district—Dharmapuri—has the highest per capita outlay not because of its backwardness but more because the district plan was prepared on the basis of the results of the detailed techno-economic survey of the district organised by the State Planning Commission (See Vol. III pages 395, 398). Because it is a drought prone area, with a large grant from the Union government's DPDA, the first District Rural Development Corporation has been formed there to establish annual operational district plans and implement them. These plans include large capital investment to be handled by the Corporation. The aggregate outlays by development district and sector along with the State with sectoral distribution of the total perspective Plan outlay set forth in the Basic Framework are shown in the table below :

DISTRICT PLAN OUTLAY FOR THE PERSPECTIVE PLAN 1974—1984

(Rupees in Crores)

Serial Number	Development District	Agricultural Production	Animal Husbandry Fishery & Forestry	Factory Establishments and Mining	Power	Small Enterprises	Transport & Communications	Social Services	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	Tirunelveli South	24.63	7.38	90.61	11.16	—	4.97	39.26	178.01
2.	Tirunelveli North	23.91	8.16	263.54	8.00	—	5.03	37.95	346.59
3.	Salem South	17.11	4.33	11.83	9.25	—	5.75	73.46	121.73
4.	Salem North	33.70	8.97	129.80	53.09	—	23.99	116.79	366.34
5.	Ramanathapuram West	59.43	7.04	17.80	—	0.97	6.60	20.55	112.39
6.	Ramanathapuram East	97.86	16.37	16.55	—	0.48	21.27	34.68	197.21
7.	North Arcot North	30.09	16.37	16.52	—	11.46	17.09	71.39	162.92
8.	North Arcot South	10.89	16.81	4.85	—	7.05	7.56	36.36	83.52
9.	Dharmapuri	143.71	16.24	20.64	0.75	0.50	23.41	125.09	330.34
10.	Kanyakumari	54.14	26.75	21.50	4.73	3.86	17.31	56.26	184.55
11.	Madurai East	27.51	12.39	54.09	—	0.31	11.31	130.51	236.12
12.	Madurai West	55.89	15.09	9.22	23.94	0.09	19.83	112.15	236.21
13.	South Arcot North	48.62	10.28	77.04	—	11.58	4.79	61.35	213.61
14.	South Arcot South	30.44	16.45	30.48	—	14.87	12.18	65.11	169.53
15.	Tiruchirapalli North	89.59	16.43	16.13	14.17	0.73	26.54	104.60	268.19
16.	Tiruchirapalli South	90.13	14.03	45.24	14.35	0.25	14.74	69.40	252.14

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
17.	Chingleput South	45.28	28.82	—	2.50	7.83	6.19	93.28	180.90
18.	Chingleput North	27.34	21.50	259.00	37.90	9.55	14.60	91.43	461.32
19.	Nilgiris	21.10	12.19	14.61	118.24	—	5.50	69.09	240.73
20.	Thanjavur East	63.07	54.34	—	6.00	3.81	17.87	74.41	219.50
21.	Thanjavur West	63.60	27.03	—	6.02	12.96	16.37	73.37	199.35
22.	Coimbatore West	16.96	6.73	47.83	44.84	1.57	10.63	55.70	184.26
23.	Coimbatore East	18.36	10.29	30.71	18.80	1.52	17.43	59.34	156.45
	Total	1093.36	370.99	1181.99	373.74	89.39	320.91	1671.53	5101.91
	Proposed Investment in Basic Framework	1318.00	435.00	2286.00	1387.00	275.00	694.00	3365.00	9760.00

The table shows the priorities of each development district and the consistency of its total sectoral outlays with those of the Basic Framework. Another perspective plan document that has been developed is on the backward areas, which include the districts of Dharmapuri, Ramanathapuram, South Arcot and Thanjavur, as well as certain regions within each development district. The Strategy to be followed in these backward areas is indicated together with programme trends and project types. A third document sets forth the programme implications of the selective attack against poverty. Every district plan provides a large and structured minimum needs programme to provide education, health, water supply, and housing for the people living in the poverty sector. In addition a programme of subsidised distribution of essential goods for rural destitutes—that is those spending below Rs. 18 per person per month—at current prices is proposed. There are some 3 millions of such people and the programme of subsidised distribution will cost Rs. 11 crores per annum. A fourth document sets forth the programme of cultural activities for the perspective plan period which is aimed at humanising development. The programme proposes structures at the State, district, block and village level to organise the cultural life of the communities and ensure and enlarge popular participation. Special programmes in dance, music, theatre, films, radio and TV and painting and sculpture are part of this perspective effort. The sectoral perspective plan programmes are also being finalised starting with fuel, power, transportation and Research and Development. It is expected that the Perspective Plan will be presented to the Government by the beginning of 1974.

At the end of October the report of the 13th Task Force of the State Planning Commission on the development of human resources and social change during the perspective plan period was released. It proposes an outlay of Rs. 67.25 crores during the years 1972-84 for the proposed programme. By the end year, against a labour force of 212,11,000, employment will be available for 211,78,000 involving a marginal unemployment of 33,000 persons. To promote labour mobility and employment information, a bureau of labour services and information is recommended, together with improved functioning of the unorganised sector in traditional agriculture, small trades, handicrafts, village industries and other welfare schemes. To promote social change, inter-caste marriages, village level clubs and an enlarged programme of rural sports and games and the use of surplus funds of religious institutions for welfare services are proposed. A programme of Rs. 147.11 crores for the welfare of backward classes, scheduled castes and tribes is proposed together with an Institute of Tribal Research. To care for the aged, handicapped, and destitute women and children, a department of geriatrics to look after the aged and use their services and a bureau of social assistance to improve the condition of women and children are also suggested. The report has an exhaustive inventory of 210 projects,

Early in November the report of the 14th Task Force on rural development during the perspective plan period was finalised. The plan recommends an outlay of Rs. 658 crores during the period 1972-1984. To a large extent this outlay is a consolidation for the rural areas of what has been recommended by other task forces and approved by the Planning Commission. The plan calls for improvement of the general conditions of the Country side involving protected water supply, rural roads for villages and hamlets, social education, health services and sanitation, good housing, community re-

creation centres, radio forums, and youth clubs. A State Rural Housing Corporation is recommended to engage in rural housing. It also recommends the development of handicrafts, opening raw materials depots and a Price Fluctuation Cess Fund to protect the interests of the weaker section of handicraft units. It calls for more effective involvement of community development, Panchayat Raj institutions in rural development. The aim of the plan is to improve the quality of life of the people.

Fifth Plan: With the report of the Sixth Finance Commission submitted to the Union government at the end of October, an analysis of which appears in the National Section, the process of finalising the State Fifth Plan has begun. Some parts of the Plan, notably that relating to power is being modified in light of the agreement reached with Kerala and Karnataka on Tamil Nadu sharing the capital costs of certain projects in those States. (See Vol. III page 691). The extent to which education and the social services are to be reduced will depend on the final resources position for the State Fifth Plan established on the basis of the Sixth Finance Commission's recommendations and the understanding with the Union Planning Commission.

Tamil Nadu—Economic Appraisal 1973: The government has in early October brought out the annual review document, Tamil Nadu—An Economic Appraisal 1973, which is a review of the State's performance in 1971-72—(to that extent the date 1973 is perhaps a little misleading, being only the year of publication). It is, as usual, a valuable source document, particularly in the data recorded in Vol. II. Seven valuable tables on the State population profile are given, based on the final report of the 1971 census—covering district figures, urban-rural composition, literacy, the growth rate, density and sex ratio for both the State and the Country, the Scheduled castes and tribes break-up by districts, birth rate, death rate and infant mortality and perhaps the most valuable is the final table showing the age group and sex of the State's population over 4 quinquennial years—1966, 1969, 1971 and 1974. So too are the useful 13 agricultural tables, 9 tables on transportation and 8 tables on State finance. The 10 employment tables do not throw light on the unemployment and under-employment situation and the education statistics are misleadingly aggregative and laudatory. The most disturbing part of the report is the complete revision in the two net State domestic product Tables 2.1 and 2.2 in Volume II which in the 1973 Volume gives a new series under Industry and more serious completely revises old figures in all columns for all years making for (a) complete discontinuity between the annual appraisals and (b) inexplicable mysteries as to how and why final calculations from way back 1960-61 can be revised in the year 1973-74. The report shows that 1971-72 was a year of medium performance for the State. The State income increased by 3.6 per cent at constant prices, a rather steep dip after the 9.93 increase in 1970-71. Even this modest rise was the result of a good performance of agriculture at 9.87 per cent, with rice production itself achieving a 6 per cent increase. But more startling is the fact that the area under HYV increased during the year by over 22 per cent and the production of rice has shot up to 1,974 kg. per hectare compared to 1,413 kgs. in 1960-61 and to 1,725 kgs. in the Punjab. To describe this as the Rice Revolution, because of the use of the term Wheat Revolution is however wrong in both cases. An agricultural crop revolution means (a) a technological breakthrough in production

and (b) a change in structure. Both in Punjab wheat and Tamil Nadu rice there has been an impressive technological break-through. In the last issue (Vol. III page 708) the comment of Mr. Borlaug to this effect was noted. But neither in Punjab nor in Tamil Nadu has there been a change in the agrarian structure and to that extent the use of the term revolution is misleading. Given the importance of minor irrigation (25 per cent) to ensure continued increase in agricultural production, the diversions of the DPDA grant to the extent of 40 per cent last year to rural roads was wrong. With a good record of foodgrain production, attention needs to be turned to achieving a similar progress in pulses and cash crops. The fisheries record is still rather at 2.7 lakh tonnes, nowhere near the potential of the State. The animal husbandry record cannot be evaluated as the information is given in absolute figures and even these are projections of an 8 year old census. Milk consumption is at 1/3 of the norm in the State. Industrial production picked up (to 4.7 per cent) compared to the low 1 per cent in 1970-71, with good records in electricity, motor-cycle, bicycles, wheat production and hydrogenated oil and very poor (negative) performance in motor vehicles, rubber products, tea and heavy chemicals. As usual, there is little information on which the performance of the private sector can be evaluated. There is a heartening record of institutional support to industry, particularly that from IDBI which increased 3 fold and TIIC, TIDCO, SIPCOT, TANSI, SIDCO, and TNTC—which reads however a little like casting one's bread upon the waters. Even the tables relating to their activities in Vol. II provide no basis for assessing their precise impact. For that one would have to turn to detailed project reports. But future issues of the Appraisal document could furnish data on the effects of past loans and some basis for cost-benefit and cost-effectiveness analysis. Similarly the appraisal of power is either factual or self laudatory. The increase in demand for power in the year was 8 per cent, with industrial consumption at 49.5 per cent and agricultural consumption at 24.9 per cent. During the year 6,289 million units was generated (3,740 million Hydel and 2,540 million units thermal). The total power consumption is stated as 5,497 million units. If this was the case, there was a surplus of supply over demand and the statement that 527 million units were purchased during the year from neighbouring States is not explained. The table of the power consumption pattern (5,457 million units) given in both Volumes is misleading and should be replaced by a table giving the break-down of what Vol. II terms the grand total generated and purchased of 6,816 units. There is of course no place for the laudatory statements about rural electrification in an appraisal document. In any case the relation of this programme to the power supply and the absence of power planning in the State should have been pointed out. The trend for the people in the State to use in credit for more than what they deposit continued during the year. There was a welcome increase in small savings through the post office and SSO. This could be further strengthened by allocating part of its use to the districts from which they emanate. The year sounded a warning note on the price situation which registered a rise of 9.1 per cent with 1939 as base. The second half of the year witnessed the steepest rise, particularly in commercial products and so the price policy of the State (in so far as it can have a policy on this national concern) has been both wise and effective. As a consequence, the State finances are sound, but the complete real picture is not revealed because of the nearness of the Sixth Finance Commission report at the time of writing this report. The terms net and gross capital formation used

in this Chapter may be consecrated by usage but should be substituted by terms like gross and net investment or saving. The plan record is heartening in terms of achieving and surpassing all financial targets. The document as a whole particularly Vol. II is valuable and should be studied further to arrive at evaluation of results and to arrive at policy suggestions.

Prices : Prices in the State have been holding steady with some decline in food and oil prices due to the Sales Tax reductions effected in September (See Vol. III page 616) and the abolition of levy system of paddy procurement since early October — to be referred to later. The September 26 index of consumer prices of industrial workers stands at 32.6 representing a fall of 2 points over that of 4 weeks. The Madras city index for September shows a fall of 10 points. Even so the higher level of prices (20 per cent in the average reached during the year) has meant a very expensive end of the year season in the State. Deepavali and Ramzan this year saw prices of fabrics 40-60 per cent higher than those of last year. The demand of the middle—lower and upper—classes for silk fabrics is inelastic and so despite the higher prices, the demand during the festival season has been growing. The problem with articles of food has been not their high prices but their quality which is affected by widespread adulteration as explained in Vol. III page 617.

Power : Further to the 15 per cent cut reported in the last issue (Vol. III page 693), the government in mid October exempted modern rice mills, dryers, fertilizer plants and seed processing units from the cut. It has decided to set up the Tamil Nadu Power Generation Corporation with the Minister for Electricity as Chairman, to be responsible for formulating schemes to meet the growing demand for electricity. The State Electricity Board will be responsible only for distribution of power. There are advantages and disadvantages in setting up new institutions like this. The advantage is that it can bring a fresh approach, concentrate on the single task and speed and monitor execution. The disadvantage is that of overlapping responsibilities and losing the inter-relation between generation and transmission—somewhat along lines of the proposed all India agency for power planning and generation (See Vol. III page 550). It is to be hoped that the proposed Corporation will work closely with the Board and build on its experience. Also in early October there was a review of the power projects in the State by the Minister of Industries and the Chairman of Neyveli and the engineers in charge of the hydel and thermal schemes in the State. The review of the current power generation situation showed that the basis for the 15 per cent cut is one of precaution. The next immediate step is to re-instal the burnt generator at Ennore, and replace the mining equipment at Neyveli at a cost of Rs. 36 crores. The second mine cut at Neyveli which will cost Rs. 200 crores also should be started on now in order to increase the State power supply by 1,000 MW. The State government has even offered to pay any losses that may be incurred by the Union government on these urgent measures—replacing the present worn-out mining equipment and financing the second mine cut. Now there should be no more delay in time consuming benefit-cost studies on these projects and search for alternative ways of supplying the increasing power needs of the State. For its long-term needs, the State has also offered to finance 3 projects in Kerala, and Karnataka as noted in the last issue of the Bulletin-(Vol. III page 694). The government has also notified the Kumbakonam and Nagapattinam electrical undertakings that they have been taken over by the State as from October in order to ensure a degree of uniformity in power distribution. The

need for some order is also brought out in the parlous financial position of the State Electricity Board. During the 75 per cent power cut, income fell but the fixed costs including interest, depreciation and maintenance were not reduced. The thermal stations with their 200-400 per cent higher costs over hydel were overworked and costs have mounted. The larger amount of power supplied by Neyveli, as the loan from Kerala has been at higher unit costs. The 15 per cent surcharge on industrial consumers is a partial compensation in this tight financial situation, and is likely to be continued this year. From 27th October, Kerala started supplying this State 3 lakh units of power per day through the inter-State transmission line from Sabarigiri to Madurai. From October 29 the supply was doubled to 6 lakh units per day. The rate will be higher than the 6.25 paise per unit in effect in the past and will involve either a further subsidy from the government to the Board or enhanced rates to the consumers.

The power situation in the Country has returned to normal with the settlement of the dispute with the engineers in the Northern States. The most serious aspect of this dispute was not the strike but the acts of sabotage which seriously affected power supply in U.P. and Delhi and involved serious investment losses. A continuing problem is the tripping in Tarapur which needs further research attention. Plans have been developed to undertake geo-thermal generation by utilising steam deposits first in Manikaran in Himachal Pradesh to be followed by a project in Kunikaran in Maharashtra. The cost of such generation is lower than that of thermal Stations. There is also a proposal to build a Rs. 200 crores power project at Nathpa Jhakri at Bhakra to produce 500 MW which will double the Bhakra power generation. The Fifth Plan target of 33 million KW established by the Union Planning Commission (Vol. III page 471) is being reopened by the Union Ministry of power which has the backing of the Lok Sabha consultative committee to return its target of 40 million KW as the irreducible minimum. It wants that the immediate implementation objective should be to install generating capacity of 38 million KW as planned by the Power ministry. The ministry claims that 13.7 million KW schemes are already under execution and another 4.8 million KW generating capacity are awaiting final approval by government. What is not faced in all this talk about targets is whether the coal, the machinery and transportation will be available for implementation. The Planning Commission's target of 33 million KW is more realistic and can be achieved. And it is to that—achieving the target—that attention should now be turned.

Centre-State Finances: The question of Centre-State financial resources and relations generally are under renewed discussion in the State. A recent conference (in late September) reviewed the State's indebtedness to the Union government. During the Fourth Plan the State would have repaid Rs. 363 crores which is more than the loans it has received. In addition to this reverse aid from the State to the Union government, the 15 year repayment period works harshly in infra-structural investment projects. Another issue is that the States are allowed to keep only 2/3 of the small savings collected from them. This is like borrowing in perpetuity from the State and lending back for fixed periods at high interest rates. Yet another issue is that the States do not share in the benefits of the Union government's deficit financing but bear the full consequential burden of the inflation that follows it. Here the argument should not be pushed to the point of the two governments sharing in an act of highway robbery. The possibilities of the State borrowing for viable pro-

jects from the nationalised banks without all the delays involved in prior Union government sanction, the need for a Federal Development Bank to finance power and irrigation projects outside the Plan, and the development of the new type of financial institutions like the Regional Board of LIC & State Investment Trust (see last issue of the Bulletin Vol. III page 692) are being urged by this State. In October detailed project proposals for the creation of State Investment Trust, a Regional Board for LIC and for SIPCOT (like its counterpart in Maharashtra) to be allowed to float debentures in the open market have been presented to the Union Finance Ministry by the State Government. It is good that the debate is now well on as the optimising of resource mobilisation is the common ground between the State and the Union governments. And this State has probably a little more freedom to raise the issues involved freely and openly and it is doing just that. The nationalised bank with its headquarters in Madras, the Indian Overseas Bank, launched on October 23 the Bharat Overseas Bank with an authorised capital of Rs. 100 lakhs contributed 70 per cent by six non-nationalised scheduled banks—Bank of Rajasthan, Karnataka Bank, South Indian Bank, Vysya Bank, Karur Vysya Bank and Federal Bank—and 30 per cent from the IOB to take over the Bangkok branch of IOB which is not allowed to function there as Thailand does not allow the branch of a nationalised bank of another country to function within its borders. It will take over Indian Banks in foreign countries which face a similar situation and will operate in Bombay, Calcutta and New Delhi in addition to Madras on all types of banking business, including foreign exchange transactions.

Cauvery Waters and Western Ghats development: On the basis of the report of the Cauvery waters fact finding committee (see Vol. III page 399) the Ministers of Tamil Nadu, Karnataka and Kerala met with Union Minister of Irrigation on October 9 and 10 to settle the Cauvery Water dispute. This could not be done as the claims of the 3 States amounted to 1,260 tmc ft, whereas the availability is only 700 tmc ft.—which is in full use. Now the problem is to get each State to cut back on its demand so that the available 700 tmc ft. can be shared equitably and efficiently. For this purpose the Union ministry of irrigation has been asked to constitute a committee of officials headed by Mr. C. C. Patel, a senior engineer and additional Secretary of the Ministry as Chairman in order to recommend the alternative sources of water in each State so that the total demanded will be equal to the available water. This means that Tamil Nadu will have to examine the extent to which it can economise on the water by better water management and stopping over withdrawal of some areas by modernising the delta system. Changing the cropping pattern will be no solution for the alternative crops will also have to be irrigation based. The ground water in the delta is a supplemental, not an alternative source. Karnataka will have to be given a greater share than it has at present but it will have to moderate its demands and use its ground water more fully. Its work on the three Cauvery Projects, the Kabini, the Hemavathi and the Harangi should be permitted within agreed limits. As for Kerala, given its large and continuous rainfall for its 2 cropping seasons, there is no case for any increase in its use of the Cauvery waters. The problem is a difficult one but can be resolved if left to the technical and engineering services of the three States under the overall directive that at the next meeting in December the issue must be solved. The other regional project—the Western Ghat Development Organisation, headed by the Union Ministry of Irrigation and Power and comprising Kerala, Kar-

nataka, Tamil Nadu and Maharashtra holds even greater irrigation and power potential for the region. The region during the South West Monsoon (June-August) receives 120 inches of rain. The overall Western Ghats potential is around 3.25 million KW of hydel power and 80 million acre feet of river flow—the hydro-power can be fed into the Southern grid and after use of the 20 million acre feet of water by Kerala, the rest can be transferred through tunnels during these months to irrigate lands east of the range which are at present dry farm lands. This requires that all the reservoir and hydel projects must be completed in Kerala and Mysore expeditiously so that their potential may be used in the Fifth Plan.

Reform of PWD : The Administrative Reforms Commission has examined the functioning of the Public Works Department in the State and has made its recommendations for its reorganisation in a report published in October. The Department has at present 3 chief engineers, 19 superintending engineers, 124 executive engineers, 665 assistant engineers and 2,050 section officers. The Department has divided the State into 10 territorial circles, each under a superintending engineer and recently a number of functional circles have also been created. There is thus a conflict between geographical jurisdiction and functional specialisation, withthe scales weighted in favour of the former. In view of the recent rapid advances in engineering and technology, the need for specialisation in each engineering branch has become imperative. On the personnel side, engineers stagnate at the same levels for long periods and become superintending or chief engineers near their time of retirement. There is no planned training of the engineers in modern methods of management. Engineers are spending a lot of time on routine paper work related to control of their large establishments. The system of work charges establishment under which the department employs 11,200 temporary staff needs revision. Despite the original flexibility of the system, the temporaries are gradually being assimilated to the regular staff system and what is left as temporary staff is subject to indiscriminate recruitments and unjust terminations. The accounting system is outdated and its major-minor classification is the cause for endless red tapism. There is little decentralization of authority and few rules of delegation. The Commission points to the ample scope for deviation for moral standards in such activities as earthwork, irrigation maintenance, water regulation etc. On the building side, the Commission notes the proliferation of construction agencies such as in Industries, Technical Education, State Transport etc. There is no adequate architectural service in the State. There is no standard procedure and no standard criteria for site selection and land acquisition. There is an outdated procedure for preparation of preliminary designs and estimates. There is need for more effective and relevant R & D in building. On the irrigation side the maintenance of tanks is split between the Department, the panchayat union engineer and the Revenue department which is inefficient. Similarly the control of channels and services is scattered. There are no clear rules of water management. The procedures for the Special Minor Irrigation Programme need to be simplified and the collector's approval removed from the rules. The Commission has examined the substance of the State's water problems and needs in light of our having exhausted our surface water resources. In light of its analysis, the Commission makes 65 recommendations. The important ones are: The eventual bifurcation of the Department in two independent Departments for Buildings and Irrigation and the immediate specialisation of engi-

neers in either area. To avoid stagnation, the intake of graduates at the level of SOS should be restricted so that graduate engineers are promoted as Executive Engineers before the age of 32. Also horizontal movement of engineers between the Department and deputing engineers to outside agencies will relieve stagnation. Training programmes of 3 months for new recruits, of 8–12 months for A.E.'s and of 6–8 weeks for all engineers once in five years and training of those in the age group 25–30 in material management, work study, PERT/CPM are recommended. The system of work charged establishment should be abolished and replaced by permanent or semi-permanent posts. All heads of departments should have delegated powers to sanction work estimates upto Rs. 1 lakh. Accounts procedures should be simplified and handled by assistants. A separate and independent organisation for providing architectural services to all government departments should be set up. New rules for site selection are set forth. The Departments should take over from the Revenue department all work on tanks—ex-zamin, the chain of tanks and tanks with an ayacut of 100 acres and above and the coverage of head works, channels and sluices. The SMIP programme of repairs and improvement need not have the collector's approval. A water management authority for the State is recommended.

Housing: The Slum Clearance Board has completed work on 100 slums and is at work on 88 additional ones. It has a long task ahead with a total of 1,200 slums in the State to be cleared at a cost of Rs. 80 crores. Alongside of the clearance of the slums and the building of the tenements, an equally important and parallel programme is the educational effort to keep the tenements from becoming new slums. In this regard 13 Resident Welfare Trusts are functioning to help the tenement dwellers keep their new homes clean and provide various amenities such as the 14 day care centres which look after the pre-school age children and the health clinics. Employment opportunities are provided by running small industries such as tailoring, painting cover-making etc. (See Vol III pages 554-555). The Board has also proposed to the government that in view of the housing shortage, it should build houses for middle and low income groups, so that the houses may be available to these groups at subsidised rents or on a hire purchase basis. This would be a considerable help for the low income group. The government has also under consideration a plan to control the sale price of house sites in order to damp down the rising cost of land and the increasing speculation and speculative projects. The Housing Board mass contact programme (See last issue Vol. III page 696) starting with Besant Nagar, Indira Nagar, Nandanam, Turnbulls road, and Seethamma Colonies is bringing administration and people together to remedy the defects in street lighting, conservancy services, water supply, levy of taxes and cesses etc. Probably more important is the joint and co-operative dealing with community problems by administrators and citizens that this effort represents.

Dearness Allowance and Salary payment procedures : From October 1, a dearness allowance of Rs. 10 per month was awarded by the government to all government employees, teachers and staff of local bodies. This will cost the government Rs. 6 crores per annum. This second allowance awarded this year unlike the first announced in February accrues to all staff. The first award was restricted to those earning upto Rs. 1,000/- and was credited to the provident fund accounts of the staff for a period of six months. This second payment will be made as part of

their salary payments as from November 1. The government has also under consideration the establishment of a Family Welfare Fund to be built up out of a part of the annual increments of the staff and returned to them at the time of retirement. With effect from December 1, the heads of the State government offices will make the salary disbursement of gazetted officials with pay of upto Rs. 1,000 per month in place of the Accountant General. This will result in some staff savings in the A.G.'s office but much more it is hoped that this decentralization will result in speedy payments of staff salaries and the keeping of the provident fund accounts upto date. The inordinate delays suffered by pensioners is another area calling for action. The receipts and expenditure accounts of the State have also been taken over and computerised. It is good that the State in pioneering the way in financial decentralization and rationalisation of the procedures.

Transportation: The State Transport Corporations are planning to set up a number of subsidiary companies to provide maintenance service for their vehicles and jobs for unemployed technical personnel. These schemes are analysed under the Employment Section of this issue. The Cheran Transport Corporation was also the first to introduce a profit sharing scheme, under which when the net profits exceed 10 paise per kilometre per month, half per cent of the total collections during the month is shared among the employees. In the year under review, it made a 25 per cent return on its capital and stands first in this regard among the 45 public sector transport undertakings. With regard to railways, by 1976 the electrification of Madras-Tiruvellore and Madras-Vijaywada sectors will be completed. With this, the movement of goods as well as persons within the State and between the two States will be speeded. Similarly the Rs. 6 crores project for the improvement of the Buckingham canal will enable bigger mechanised boats to ply on the 34 miles out of the 100 miles of the canal which falls within this State. The work involves deepening the canal from the present 3 feet to 6 feet, lining the sides, and strengthening the locks and bridges. Andhra Pradesh is similarly planning to improve the 160 miles of the Canal lying within its limits. This State is now working with a small sum of Rs. 50 lakhs on the canal's improvement. The finished work will increase the trade including much needed coal movement between the 2 States.

Welfare Measures: The Ninth Beggar Rehabilitation Centre at a cost of Rs. 10 lakhs was opened at Deviakurichi, Salem District. The government plans to pass legislation requiring leprous beggars to be rehabilitated in the Centre. The tenth and final centre will be opened in Dharmapuri district. This programme contributed by the people voluntarily is one small but effective instrument in the attack against poverty. The government has also under consideration the development of an organised structure to provide legal aid to the poor and weaker sections of the community.

Pollution: Further to the warning signals on pollution in the State and Country referred to in Vol. III page 623, already in 1971 the World Health Organisation survey has called attention to the fact that the noxious carbon monoxide content in the atmosphere in Madras city was near the danger level, and this despite the fact that the motor vehicle traffic is only a fraction of that of Western Metropolises like London, Paris, New York or the major Asian city of Tokyo. On the basis of the work already done by IIT and the public health engineering units in the State, it is necessary now for legislation to

be passed enforcing certain norms for motor vehicles and industries in the State to prevent the rising air pollution. The Water and Sanitation programme for the Fifth Plan take on new urgency and this is an area in which there should be no reduction.

National :

Fifth Plan and Sixth Finance Commission : The Fifth Plan was in the process of finalisation at the end of October. The Sixth Finance Commission's recommendations were presented to the government on October 28. It did not introduce any new principle except with regard to the re-scheduling of States' debts. On the pattern of sharing tax revenues, it has maintained the system of giving 90 per cent of income tax and 20 per cent of excise tax to the States and made only marginal changes in the State's share of the Wealth Tax and additional excises. But because of larger tax receipts due to inflation, the devolution of revenues to the States will be Rs. 8,500-Rs. 9,000 crores, as compared to Rs. 2,885 crores recommended by the Fourth Finance Commission and Rs. 4,266 crores recommended by the Fifth Finance Commission. The principles of devolution of the Fifth Finance Commission have been maintained—namely, in the case of income tax the distribution to States is 90 per cent on the basis of population, 10 per cent on the basis of the State's contribution; in the case of excise 80 per cent on the basis of population and 20 per cent on the basis of the degree of backwardness. Larger grants-in-aid have been recommended to States having a large non-plan gap-a rather unfortunate principle as it invites States to show as large a non-plan gap as possible. This whole concept of grants-in-aid needs to be reviewed and changed and the sharing of revenues should be based essentially on performance and matching resource mobilisation. For the Fifth Plan, however, there is a broad continuation of the devolution principles of the past with all their limitations. Second the Commission has also recommended against making ad hoc loans and grants to States to meet droughts and natural calamities as was done to one State to the extent of Rs. 200 crores in one year. Instead it has proposed doubling the expenditure of drought prone districts from Rs. 4 crores to Rs. 8 crores and undertaking comprehensive long term flood control programmes. This is a recommendation in the right direction as it will build as permanent assets the needed relief. The only real advance made by the Commission is in recognising the debt burden on the States. The solution proposed–rescheduling–is only one of the two that should have been recommended. The other, writing off a part of the infrastructural debts, has not been entertained. For the Fifth Plan the Rs. 8,500 crores of State debts are to be rescheduled in such a way that financially weak States will have upto 30 years for repayment while the others will have a shorter period ranging from 10 - 30 years. The relief from this recommendation will increase State Resources by some Rs. 2,000 crores. The States are recommended to increase their resources by earning more from their industries, irrigation and electricity undertakings. The Union government is advised to increase its tax collections and earnings from public undertakings. Now that the air has been cleared and the recommendations of the Sixth Finance Commission are known, the Fifth Plan public sector outlay is now Rs. 37,000 crores with some lowering of targets. The power target will be 34 million KW, fertilisers 4.5 million tonnes of nitrogen and 1.25 million tonnes of phosphates. The self reliance aim in terms of foreign aid will have to be given a lower priority in relation to the objective of removing poverty. The balance of payments gap will be nearer Rs. 5,000 crores rather than Rs. 3,000 crores and will call for more im-

port savings, more export promotion and effective utilisation of foreign aid. Of these three related actions, as Arthur Lewis in his Fifth Dorab Tata Lecture emphasises, the correlation is between exports and development and not between exports and planning or foreign aid. The expansion of our export trade is a key strategy in the Fifth Plan. As part of this imperative, the private sector industries have been invited to develop an outline of their expansion and manufacturing programmes for the Fifth Plan. Particular encouragement is to be given not only to expand existing capacities but to create fresh capacities, with a wide scatter of producers. This will involve ensuring maximum use of licenses and some price stabilisation measures. This advance information should be integrated into the national plan to help the private sector face and solve the problem of bottlenecks and scarcities in credit, raw materials and infrastructure. The Four Plans have not been provided with such integrated patterns dovetailing public and private sector efforts. Another area where some progress has been made is in the dieselisation of the railways. With the recognition of the limitation to electrification now planned for 1,800 kms during the Fifth Plan (against 12,000 kms during the current Plan), if the railways are to carry anything like 300 million tonnes of freight which is 50 per cent above this Plan's total, there is no way out of dieselisation despite the cost of crude. The Railway Ministry plans to produce 700 diesel locomotives during the Fifth Plan, consuming the same 13 per cent of the Country's diesel production as during the current Plan. It will have 3 captive power plants and speed up the turn around of wagons, if there is no serious industrial disturbance. The railways outlay for the Fifth Plan is Rs. 2,600 crores including Rs. 200 crores for metropolitan transport schemes—underground schemes—in Calcutta, Madras and Bombay.

The State of the economy and the way farward: A number of studies have been made on the ailing state of the economy and the way forward. Four of the most important are that made by the Reserve Bank of India in its October report "Currency and Finance 1972-1973", the NCAER mid-year review, the Study of the Delhi group of Economists and the declaration of the Bombay group of Economists—all in October. There are common points of agreement on the diagnostic side. The economy is stagnant. The RBI computes in 1972-73 the growth of national income at 1960-61 prices was less than 2 per cent—which is about the same as in the previous year. The Delhi group also begins with the fact of the fall in aggregate real supplies of goods. The Bombay group refers to the all round shortfalls in every line of production confronting the Country. The NCAER survey refers particularly to industrial stagnation over the last two years. This is one starting point. A second point of agreement is on price inflation. The RBI referring back to the causes of the set-back in farm production for 2 successive years, inadequate procurement of foodgrains, particularly wheat, with hoarding of stock by producers and traders, world shortage of cereals limiting imports to a small quantity, a large increase in money supply and aggregate monetary resources and the low level of investment in the last 3 years resulting in an accentuation of scarcities in essential commodities, transport and power, points to the 21 7 per cent rise in prices between July 1972 and June 1973 against the 6.8 per cent price rise during the previous 12 month period. The Delhi group places its main emphasis on the rapid and continuing rise in prices during the last 28 months. The Bombay group

refers to the inflation factor as the centre-piece of the current economic situation. The NCAER analysis concludes with a call for the immediate restoration of price stabilility and national discipline. Finally there is general agreement in all four studies on the disastrous effects of the money supply increases which the RBI puts at plus 15.9 per cent during 1972-73 and plus 17.9 in the case of aggregate monetary resources and the Delhi group at 38 per cent between 1970-71 and June 1973 against a 5 per cent increase in total production, the deficit financing by government (See Vol. III pages 324-326 and 478-480), the fall in agricultural production in the last 2 years, the pronounced decline in jute and cotton textiles in the first half of 1973, the growing unused capacities in industries, the growth of black money and the parallel economy and the restraints on industrial production caused by the manner in which the system of controls and licensing procedures are being applied. The Bombay group calls attention in particular to the serious unfavourable impact of this situation on the levels of living of the poor majority and the growth of unemployment. On the solution to this stagnant and decelerating economic phase, all the analyses are agreed that taking advantage of the good agricultural harvests expected this year which NCAER states can not only meet the food demand of the Country but allow the building of a bufferstock, there should be simultaneous effort to increase investments, increase industrial production, ensure fuller utilisation of capacity, control money supplies to the level of production increases, reduce deficit financing returning to what the Delhi group calls safe deficit financing and increase in savings. NCAER calls attention to the 3 positive elements in the present situation—a good Kharif crop, a reasonable expectation for a good rabi crop and the stable behaviour of manufacturing prices even under the inflationary conditions—on the basis of which the economy can be made to move forward. Similarly the RBI points of the high rate of domestic saving (both of the household and government sector) from 11.3 per cent of NNP in 1971-72 to 11.7 per cent in 1972-73, the favourable trade balance of Rs. 185 crores and the increase in the foreign exchange reserves by Rs. 37 crores to Rs. 882 crores by 1973. The Delhi group and NCAER call for measures to increase industrial production and in the former case by using our controls to direct product production rather than individuals, giving fiscal incentives, differential interest rates, development rebates for the increased production of mass consumption goods and extending the reservation of some lines of production for small units. There is need for final decisions on how much of current income the Country is to consume and how much to save. According to the RBI full utilisation of existing capital equipment and natural resources and effective demand management along with controlled distribution of essential goods are needed. Thus a three pronged effort now needed as proposed by all four studies is to increase savings, investment in mass production of essential goods and goods for exports, cut back in money creation, supply and deficit financing and an effective distribution system to help stabilise prices, particularly for the poor majority.

Finances and Banking: The price rise had begun slowing down. The official wholesale prices moved up by 1 per cent to 251.4 in August against 248.9 in July (March 1962 = 100). Small rises from 0.3 per cent in machinery and transport equipment to 1.8 per cent in food articles were registered in all groups except for a fall in prices on industrial raw materials by 2 per cent. The Union Government's excess expenditure for the year is likely to be large—Rs. 300 crorse

for food subsidy and relief expenditures of States and Rs. 350 crores to give effect to the Third Pay Commission's recommendations. Against these deficits, the Union government is undertaking a reduction of Rs. 400 crores in this year's expenditures (See Vol. III pages 480 and 626) which its ministries and the State governments must help in realising. In addition, it plans to borrow Rs. 200 crores from the market, all of which together with the net Rs. 28 crores already borrowed in two phases in May and July (See Vol. III pages 403 and .561), can hopefully reduce the deficit this year to around Rs. 300 crores. From October 1, the Government is investing 25 per cent of Provident Fund Contributions in State and Central government Securities. The remaining 75 per cent is being invested in post office deposits and small savings. This will channel the savings into investment opportunities and increase the return on provident fund accumulations. The Union Government has also decided to bring forward legislation which will convert the Industrial Development Bank of India into a holding company for all India public sector financial bodies like IFCI, and IRCI and eventually UTI, and LIC. The holding company will be separated from the RBI and independently managed. It will have centralised responsibility for scrutinising all the loan applications and finally deciding on their disposal. This will certainly shorten and simplify the overlapping scrutiny of loan applications by many agencies. This move should also accelerate industrial investment particularly in the Country's backward areas. IFCI's record in 1972-73 was moderate, having granted financial assistance to 90 projects for Rs. 46.15 crores against Rs. 39.16 crores for 68 projects the previous year. Even so it calls attention to the paucity of loan applications from backward areas and to correct this the new holding company should pool the resources of all its constituent bodies to provide large and continuing assistance to those planning to work in backward areas, in preparing feasibility reports, providing consultancy services as well as a package of concessional finance.

Third Pay Commission: On October 8, the Union government announced its decision to give effect to the recommendations of the Third Pay Commission. The minimum wage of the lowest category (Class IV) employees is to be raised from the present Rs. 170 to Rs. 196 per month. The Commission had recommended an increase to Rs. 185 per month. This decision is being contested by some of the employees unions on the ground that the equivalent of Rs. 170 in current prices is nearer Rs. 314. There is statistical validity in this computation but given the per capita national income of the Country, the depth of poverty among the majority of the Country who are in the unorganised sector and the very serious budgetary consequences at this time of the tight resource position of the government and the inflation in the Country, the government's decision is both sound and generous. Further the minimum benefit of 5 per cent of basic pay is raised from Rs. 10 to Rs. 15 and there is to be no bunching of pay. Third 100 per cent neutralsation is given in Dearness Allowance upto the pay level of Rs. 300, 75 per cent pay levels of Rs. 301 to Rs.900 on every increase of 8 points in the 12 monthly average index. Fourth the pay and retirement benefits recommended will be effective from 1 January, 1973 instead of March 1973. This again is a point of contention with some unions who want the effective data from March 1, 1972. Fifth Educational allowances for employees' children at high and higher secondary schools are allowed in relaxation of the condition laid down by the Commission. Finally other improvements relate to rent receipts rela-

xation upto the pay level of Rs. 750, the protection of the employees' compensatory allowance, tightening of overtime work and payments and hours of work. With the grant of two interim reliefs, the total annual cost of these decisions to the government is of the order of Rs. 300 crores in contrast to the estimate of Rs. 150 crores made at the time of the budget (See Vol. III page 234). At the back of this financial burden is the financial indiscipline in the Country, the outpouring of money supplies, the shortages of consumer goods and the rampant inflation. If this necessary additional financing of the government employee's remuneration is not to result in further inflation, further demands for pay revision and dearness hikes, the measures for accelerating the economy, increasing its commodity production and ensuring effective distribution of what is produced becomes an urgent necessity.

Railway Deficit: A parallel problem facing the Country and the government is the large deficits that the railways are incurring this year due to the falling traffic earnings and rising costs following from the Third Pay Commission recommendations just referred to. Already on October 2, the Railway Minister announced a loss of Rs. 80 crores for the half year ending September 30, 1973 as against the anticipated profit of Rs. 23 crores for this six month period. Despite the Rs. 20 crores economies being effected, the budgeted deficit of Rs. 9.8 crores for the year is going to be surpassed by more than 10 times that amount. In the first five months of the year there has been a loss of 5.29 million tonnes of revenue earning goods. Except for coal and foodgrains there has been a reduction in traffic under all categories, particularly in those that are high rates. The reasons for this reduction are multiple – the reduced industrial output consequent on power cuts and load shedding, the work stoppages and some wild cat strikes in different Railways, the bad management of the railways and particularly in the turn around of wagons and the extra strain imposed on account of foodgrains movement. On giving effect to the Pay Commission report, the additional cost will be Rs. 50 crores and on foodgrains transport (a low rate transport item), a loss of Rs. 36 crores is expected. The result is that for the year the total railway deficit is likely to be Rs. 120 crores. This will have to be made good from the general budget which will increase the deficit and call for additional taxes. The Railways have given notice that there will be a considerable rise in railway passenger fares and freight rates from the next financial year. But what is equally serious with the current deficit is the capacity of the railway to meet the very heavy burden facing them in the Fifth Plan. Once more it is so easy to establish targets and allocate global resources but the achievement of these targets call for managerial and financial decisions. By the end of the Fifth Plan the railways are expected to increase their traffic by 50 per cent to 300 million tonnes. They must provide not only for foodgrains movements and carry a doubled output of coal, and large increases in steel, fertilisers, cement, paper etc. This means a rapid execution of its development schemes such as dieselisation and electrification, it also means considerable improvement in operational efficiency, decentralising some of the decision making powers and possibly separating off the manufacturing units from traffic control and management and vesting the former in an autonomous body. In fact its manufacturing responsibilites are increasing rapidly and they are providing an important element in our export trade. The railways have been given the Fifth Plan outlay they have requested of Rs. 2,600 crores and as noted earlier, now it must gird itself to achieve its clearly established targets.

National Production Front:

Industrial performance: The second quarter's performance of engineering and chemical industries has been poor. These two sectors have witnessed a four per cent reduction each. The causes for this production decline are traceable to the power cut during the first quarter which has had its effect in the second quarter. To this should be added the shortage of railway wagons referred to earlier, supply shortfalls in raw materials and industrial unrest. The serious declines have been in electrical steel sheets, aluminium ingots, lead, zinc, copper, ball and roller bearings in the engineering area and caustic soda, soda ash, calcium carbide and PVC resins. The official tabulation of industrial production does not tell the whole story as it does not show the production decline in textiles and jute which have a heavy weightage and takes note of the production returns of only those industries whose combined capacity is equal at least to 80 per cent of the total capacity compared to the same period last year. According to the mid October assessment of the Industries Ministry, despite liberal allotment of raw materials, streamlining of procedures and removal of bottlenecks utilisation of installed capacity in most of the 30 industries that it has surveyed is very low. Only ten industries show a capacity use of 80 per cent and above in 1972 and even in the case of seven of these industries, this good capacity utilisation shows a decline in 1972 compared to the previous years. The most serious under-utilisation of capacity in 1972 is cement mill machinery (8 per cent), cranes (10 per cent), diesel engines (25 per cent), railway wagons (27 per cent), mining machineries (33 per cent), drilling machinery (39 per cent), tea machinery (42 per cent), and steel pipe tubes (48 per cent). To improve capacity utilisation, permission has been granted to work multiple shifts, produce upto 200 per cent of licensed capacity along with exemption from industrial licensing for investment upto Rs. 1 crore (except for large houses and foreign majority firms). In relation to the time consuming licensing procedures referred to in the last issue of the Bulletin (Vol. III page 700), the Union Minister of Industrial Development announced on October 31 the following simplification and rationalisation. From November 1, the Secretariat for Industrial Approvals (SIA) will function under the Project Approval Board (PAB) and the supervision of an inter ministerial committee in order to clear all applications for licenses for new projects within 150 days at a maximum. Applications which do not come under the MRPT Act will be cleared within 120 days. Letters of intent, foreign collaboration approvals and import of capital goods clearance will be done within 90 days. SIA will be the single agency to receive all applications, refer them to the various competent authorities, collect and compile their comments, process the approvals through the committees and communicate the government's decisions to the applicant. Part of the onus for the delay is that of the business-men who do not know how to complete the applications and furnish all the technical details. SIA will assist small and new entrepreneurs with information and it will follow up the issue of licenses to see that investments flow and production starts. The conversion of a letter of intent into an industrial license is to be done within 12 months (at present it is an unworkable 6 mouths) with six months extensions for good reasons. The conversion of an industrial license into commercial production must take place within 2 years subject to 1 year's extension for a further 2 year period. A further relaxation is that industrialists who want to invest upto Rs. 1 crore in an industry will no longer need a letter of intent or indus-

trial license and can straightaway apply for a capital goods clearance. This delicensing will relieve the load of the licensing committee and help the small and medium businessmen. This relaxation will not apply to units which have an investment of Rs. 5 crores and above, large houses and to 10 industries ranging from steel to industrial jute. These reforms are needed and should push forward the lagging industrial sector provided the raw material shortages are relieved, transport and power are regularly available and there is a minimum of industrial peace.

Steel: Further to its price rise analysed in the last issue of the Bulletin Vol III page 702), the dual price policy for steel announced in early October is aimed at: (a) reducing the non-essential consumption of steel (b) mopping up excessive earnings of middlemen (c) ensuring a steady supply to the public and core sector projects, and (d) building a fund out of the profits to finance the modernisation and expansion of steel plants. While priority industries will get their steel at fixed prices, prices for other users will be established by SAIL & JPC. The estimate of 0.2 to 0.3 million tonnes of unessential steel use is certainly an underestimate and at a time when the steel import bill exceeds Rs. 200 crores per annum, a cut back on this part of the steel demand is necessary. Any reduction in such non-essential steel consumption will also reduce the demand for other scarce materials like cement. At the same time the higher price which will be related to the costs, production and investment of different steel plants can be used to expand and modernise them. This policy calls for a careful analysis of the various end uses of steel and a strategy for pricing plates, structurals and railway materials. In connection with the Rs. 125 crore plant to manufacture rolling mills for steel units in the Fifth Plan, the economy of the mills as well as the other steel plants should be carefully investigated. The power situation, the pig iron supply and the other costs need further study. For the moment, the HSL units are still hamstrung on account of limited power availability, particularly from DVC. As noted earlier some of the units are setting up their own captive thermal plants. In the meanwhile, both HSL and the Bengal foundries report a serious muddle in the pig iron situation. Bhilai has about 42,000 tonnes of pig iron lying idle because of railway bottlenecks and has offered any one, who can transport it, to buy it and take it away. The Bengal foundries on the other hand are short of pig iron. Against an official allocation of 25,000 tonnes in September, the actual deliveries were only 2,500 tonnes. The situation is the same all over the Country. The foundries need 13 lakh tonnes per year for full working but are receiving about 30 per cent of their needs. This reduces production and employment. There is adequate supply of pig iron from HSL plants. Bokaro is a large producer which exports pig iron to the Soviet Union. The HSL plants produce more than 8 lakh tonnes. IISCO which produced 2.5 – 1.5 lakh tonnes in the last two years has not produced this year. The largest producer is Bhilai. The problem with its delivery to the foundries is the railway system of transport which insist on rake loads of 20 to 40 wagons at a time, which HSL can meet but not the hundreds of small operators. Even HSL stocks are accumulating due to lack of transport. This is creating artificial scarcity and hoarding with prices shooting upto 200 per cent at Rs. 1,000 per tonne. The international price has more than doubled from $ 50 to $ 120 a tonne. There is need now for the railways to move the stocks and assure an adequate supply to the Country's foundries.

Sugar: The current year's sugar production is 39 lakh tonnes as forecast in Vol. III page 632 of the Bulletin. In order to increase production, the government announced at the end of September a rebate of Rs. 40 per quintal for excess production over that of last year produced in October and November. In December 1973 to April 1974, the rebate will be Rs. 20 per quintal for production in excess of 110 per cent of the 1972-73 corresponding period. For May and June 1974 it will be Rs. 30 per quintal for the excess production over 100 per cent of what was produced in the two months in 1973 and the same for July to September 1974 for 110 per cent excess production. For factories started on or after October 1, 1972 the rebate will be Rs. 30 per quintal for excess over 10,000 tonnes and for those started on or after October 1973, the rebate will be granted for excess over 5,000 tonnes. With these concessions, it is hoped that sugar production will increase for 1973-74. In fact it is expected for 1973-74 that the production will be 45 lakh tonnes, based on the favourable weather in all sugar producing areas and the higher prices being paid to the farmers. This means that with the carry over there will be 52 lakh tonnes, 40 lakh tonnes for domestic consumption at the rate of 3.25 lakh tonnes per month, five lakh tonnes for export and 7 lakh tonnes as carry over for the following season. Under these conditions the levy and distribution system should be so managed that the current sugar shortage that consumers face should be avoided. One objective should be to reduce the gap between the prices of the fair price shop (Rs. 2.15 per kg) and the open market (Rs. 3.50 per kg). This depends on regular and timely releases, the releases reaching the retailers, the non-levy sugar being increased to bring its price down and action to stop hoarding and speculation in the open market. Alongside of the production increase, the distribution system should be effectively improved. If the 1973-74 production is 45 lakh tonnes, then to reduce the gap between the 2 prices, there should be a return to 60-40 levy and open market system. Another long term measure under-way is the promotion of sugar-beet cultivation in Himachal Pradesh, Rajasthan, Maharashtra, Nilgiris and other cold dry areas to be sown alongside of sugar cane. Sugar beet can be harvested at the midpoint of the cane growth in April-May and gives the factories 10 weeks additional crushing work during their slack season. If more factories can be equipped with machinery for sugar beet processing, the National Seeds Corporation can distribute its 110 quintals of seeds for cultivation this season. The Country is now self-sufficient in the required sugar beet seeds.

Crude and Oil Exploration: The crude oil position of the Country worsened during October and reached crisis proportions towards the end of the month. The foreign companies Burmah Shell, Caltex and Esso notified the government that because of the 10 per cent cut raised later to 25 per cent in oil production there will be a reduction in their crude oil imports into the Country. Esso has notified the government that it will reduce its imports by 25 per cent. Further the Saudi Arabian government has not included India among the ten countries (Pakistan, France, Spain, Jordan, Lebanon, Malaysia, Morocco, Tunisia, Egypt and U.K.) which are exempted from the 10 per cent reduction, raised later to 25 per cent. At first the Country thought that even the direct supply of 1.1 million tonnes will be cut by 15,000 tonnes every month. Later it was clarified that there will be no reduction in the government to government supply. Second the price of crude has been further raised by 67.4 per cent from October 16 from $1.86 to $ 3.13 per barrel. The posted price of light Iranian

oil mainly used in Indian refineries will rise from $2.995 per barrel to $5.091 per barrel and that of Arabian light oil from $3 011 to $5.119 per barrel. In light of this, the 12.1 per cent price rise in early October asked by Burmah Shell and Caltex, increasing the price of light Iranian crude from $2.62 reported in the last issue (Vol. III page 705) to $2.74 was only the first step. Burmah Shell has notified the government that its price will be raised from $2.74 to $3.64 per barrel. In addition it may have to impose a further 25 cents per barrel as the sulphur premium. In fact, Caltex has notified the government of a rise to $3.84 per barrel including the sulphur premium. Third the demand for petroleum products is constantly on the increase and will go up from 25.57 million tonnes today to 37.08 million tonnes by the end of the Fifth Plan. Against this situation, the government in mid October raised the price of all varieties of lubricants by Rs. 75 per tonne, which meant the selling prices of lubricating oils and greases went up by Rs. 100 per tonne from October 18. This was to compensate the refineries for the price rise in imported crude, as the pre-October 18 price was fixed on the basis of the crude price of £1.28 per barrel maintained till September 1972. This was followed on November 3 by a steep rise in the price of petrol from Rs. 1.64 per litre to Rs. 2.71 per litre (an increase of Rs. 1.07) and in the price of kerosene from 68 paise per litre to 96 paise per litre (an increase of 28 paise). The prices of all other petroleum products except naphtha have also been raised less brutally in response to the rise in crude price as follows: High speed diesel 6 paise per litre, Light diesel 6 paise per litre, furnace oil 4 paise per litre, bitumen 4 paise per kg. LPG cooking gas by Rs. 1.60 per cylinder of 15 kgs. lubricants 18 paise per litre. It will be noted that from the point of view of the price rise in crude, petrol prices should have been raised by 7 paise only and kerosene by 8 paise only. The reason for the steep rise in petrol prices is thus not only the $1 increase of crude per barrel, but also the fact that the government wishes to reduce its drain on foreign exchange and the fact that the import of crude into the Country is being reduced by the companies and possibly the major oil producing governments. The foreign exchange outgo in crude will now increase from the estimated Rs. 374 crores forecast in the last issue of the Bulletin (Vol. III page 705) to Rs. 460 crores this year. This jump must be kept down. The total monthly reduction of crude imports are likely to be around 1 million tonnes. Hence a reduction in the consumption of petrol is an absolute necessity. If the price rise does not accomplish this, a system of rationing will be introduced. There is no doubt that the price increases in the other products will have an inflationary impact on the economy. All taxi and auto rickshaw fares are up by 40–60 per cent. Bus transport is up by 15–20 per cent. Transport by trucks will similarly raise their rates. Butane and cooking gas price rises will increase the prices of cooked food. And so a further inflationary spurt in the economy can be expected. The initial steep rise in the price of kerosene was the most regretful feature of the decision. The reason for the increase is somewhat pedestrian – to equate its price with that of high speed diesel and prevent the adulteration of diesel oil with kerosene. But the impact of this rise on the 60 per cent poor majority was serious. The middle and upper classes simply shifted on to kerosene to escape the rise in the price of cooking gas. They will pay the higher price of kerosene and consume more of it. It is the poor majority which would have had to cut down their already low living levels. Hence the government's decision to reduce the excise on kerosene by

10 paise from November was good and brought its price down to 86 paise per litre. There was a similar reduction in the price of diesel. It is also good that the government has instructed all the oil companies to sell kerosene through their 11,000 pump stations, the majority of which are in rural areas. This means that for the first time people in these areas will have access to kerosene at the fixed price and it is to guard against the misuse of kerosene that its price has been equated to that of high speed diesel. But in addition to this good distribution net work, the State governments should also be asked to administer a dual price policy for kerosene so that it is available to the poor at a lower price. Now a poor family will have to spend Rs. 3.50 more per month for a four hour wick stove and 70 paise more per month for a 3 hour hurricane lamp. The only positive element in this picture is that the position on Naphtha will improve. Above all, oil exploration within the Country takes on new and added urgency. The second offshore drilling in Bombay high started on October 1', using the mobile platform, Sagar Samrat, should meet a part of our 37 million tonne crude requirement by the end of the Fifth Plan. In light of current crude prices, the economics of the first well drilled in 1970 at Aliabet should be once more reviewed. The government should complete quickly its majority holding in Oil India (increasing its equity participation to 60 per cent) so that its expertise in drilling now being used in Assam and Arunachal Pradesh can be extended to areas in West Bengal. There are larger long term vistas opened by oil deposits in great rocky regions. The geologists call attention to vast reserves of petroleum at great depths of igneous and hard rock where no one looks for oil super drilling techniques should be used in the trans Aravalli Vindhyan basin, the Gondwanas and the Deccan trap covering 70,000 to 100,000 sq. kms. and going 6,000 metres down in order to tap these oil sources. In upper Assam vast reserves of oil are available. In one field in upper Assam, it is estimated that there are 200 million tonnes of oil. Future exploitation will be on the basis of plate tectonics through which oil rifts in the land and ocean can be located. The Gulf of Cambay may be one such. It is only if these resources are tapped speedily that the Fifth Plan crude needs can be met. On October 2, the foundation of the Rs. 217 crore Mathura refinery to produce 6 million tonnes of petroleum products per year was laid. It will be fed by a 1,200 km. pipeline from Salaya in the Gulf of Kutch to the refinery which will also meet the needs of the Mathura refinery. The Planning Commission computes that to meet the demand for 37.08 million tonnes at the end of the Fifth Plan, the refinery capacity should be 42.5 million tonnes on the assumption of 95 per cent capacity use. With Mathura, the 3 million tonnes new refineries on the West coast, and the expansions of Koyali, Haldia and Madras, the Country's petroleum needs can be met in the Sixth Plan. In the Fifth Plan however, the current imports of petroleum products of 2.6 million tonnes will have to be increased to 7 million tonnes. This is in addition to the import of crude. All these computations must now be revised in light of the steep rise in the price of crude and the possibilities of internal production, which must be fully exploited.

Power: The fourth nuclear power station is to be established at Narora in U.P. It will have 2 units of 235 MW each and cost Rs. 220 crores. This represents a change in the decision not to instal a new power plant during the Fifth Plan (See Vol. III page 161). Civil works on this project have started. At the time of the mid plan review, a fifth plant for

Gujarat will be considered. The reason for waiting till then is financial and not technical. Gas reserves discovered by ONGCC at Barmura is one of the biggest in the world and when tapped will provide the equivalent of 50,000 tonnes and will help run a fertiliser plant and a petro-chemical complex in Tripura.

Newsprint : In addition to the overall shortfall in newsprint supply faced by the Indian newspaper industry, even the 1,26,700 tonnes contracted for during the year has not arrived except for 4,424 tonnes from the Soviet Union, 1,540 tonnes from Canada and 1,000 tonnes from Bangla Desh. In addition 3,748 tonnes from the Soviet Union and 800 tonnes from Bangla Desh are on their way. The problem has arisen because in contracting for the 1,26,700 tonnes from Canada, the Scandinavian countries, Czechoslovakia, Poland, Soviet Union, and Bangla Desh, the delivery dates were not fixed. Now the error is being repaired with Bangla Desh but this omission in contracts is not understandable. The real remedy is to develop our own sources of supplies. The NEPA factory's production is being expanded to 60,000 tonnes immediately and later 80,000 tonnes. The 80,000 tonnes Rs. 50 crores Kottayam factory is being followed by 2 more factories in Himachal Pradesh and the Eastern region.

Fertilisers : In 1972-73 only 70 per cent of the country's fertiliser capacity was used. This year the usage is even less because of the delay in commissioning of new projects and power shortage The result is that the Country's import bill for fertilisers in 1972-73 was Rs. 146 crores and will be larger this year. What is worse is that there is a world shortage of fertilisers and we cannot continue to rely on imports. The present installed capacity is 1.46 million tonnes for nitrogen and 5 lakh tonnes for phosphatic fertilisers. With the projects now being executed this capacity will increase to 4.16 million tonnes for nitrogen and 1.22 million tonnes for phosphatic fertilisers. The world shortage and the consequent danger to the Fifth Plan agricultural targets had led the Planning Commission to raise the approach paper fertiliser targets from 3.9 million tonnes (nitrogen) and 1.17 million tonnes (phosphate) to 4.5 million tonnes and 1.25 million tonnes respectively. This is possible of achievement as noted earlier because 5 new public sector projects are being set up with foreign assistance (3 with Japan's) and by the private sector because of the fiscal incentive offered in channelling some of its investments in this area.

Cement : The cement industry, particularly in the State, is placed in the ridiculous position being able to produce to 100 per cent capacity to meet the current shortages of cement. But because it is denied coal and the unavailability of railway wagons, it is working to 75 per cent capacity. All the plans being made to increase cement capacity in the Fifth Plan detailed in Vol. III pages 630-631 of the Bulletin will be just paper plans contributing to the further widening of the gap between targets and achievement unless the Coal Authority first increases coal production and secondly abolishes the unworkable system of allocating specified collieries to individual industries. This latter system may have been an attempt to increase production by pin pointing the end user but now that it has failed, a simpler incentive system should be used to increase coal raising. The other bottleneck is rail and sea transport which need to be rationalised and co-ordinated in order to move the coal to the cement plants. This wastage of existing capacity is inexcusable and can and should be corrected.

Cars: As suggested in the last issue Vol. III (pages 705-706), the Union government has set up a Technical committee to review the 11 letters of intent that have been issued for producing indigenous cars. Given the priority for production of essential goods for the poverty sector and the future shortage in the supply of petrol, it is necessary that all these letters of intent be examined carefully from the point of view not only of their technical viability but also of their demand on other materials in short supply. Two of the 11 who have such letters—speedcraft and Maruti have developed prototypes which are under examination by the Vehicle Research and development Establishment at Ahmednagar. Another necessary development is the spot check and tests of cars now being produced by a special government agency. The quality of existing cars is deteriorating and these tests of cars on the assembly line will lead to improvements and reliability as any found defective will lead to production being arrested till the defect is remedied. In the meanwhile the production of commercial vehicles is being expanded. TELCO's capacity is being increased from 24,000 to 36,000, Ashok Leyland from 5,400 to 10,000 and Kirloskar's plan to produce 10,000 vehicles is under study. The Jabalpur defence factory is being converted into a public sector undertaking to produce 30,000 to 40,000, 7½ to 10 tonnes commercial vehicles, at a cost of Rs. 60 crores. These expansions will help to narrow the gap between supply and demand. In the scooters fieled, Scooters India Limited has entered into sub-licensing arrangements with SIDCOS in Karnataka, Andhra Pradesh, Kerala, West Bengal, Punjab and Tamil Nadu to make the bodies for Lambretta scooters with Scooters India supplying the engine and gear box. Under this programme the Country's demand for 40,000 scooters by 1978 will be met.

Agricultural Production: Due to the good rains, the Kharif crops all over the Country are good and forecasts are that Kharif foodgrains production may surpass the 67 million target by 3 million tonnes. The flood damage in Gujarat, Rajasthan, Madhya Pradesh, Uttar Pradesh, Orissa, Bihar, Punjab and West Bengal has affected production in the sense that without it the food production would have been even higher. Again, the late rains have filled reservoirs and irrigation canals and increased subsoil moisture so that the rabi production prospects are also good. Current prediction of foodgrains production for the year therefore is 120 million tonnes, surpassing the target of 115 million tonnes. The rabi crop faces two constraints—shortage of HYV seeds and fertiliser shortage—whose availability will be 38 lakh tonnes against the projected demand of 4x lakh tonnes. The Kharif crop forecasts are highly encouraging. For rice, it is 45 million tonnes against 37 million tonnes last year, for groundnuts it is 55-60 lakh tonnes against 38 lakh tonnes last year, for jute it is a bumper crop of 75-80 lakh bales causing government to order jute mills to buy 1.4 million bales by the end of October to prevent a crash in prices and for cotton, somewhat affected by excessive rains, it is 65 lakh bales. The rabi crop also will surpass the target of 48 million tonnes, if HYV seeds are used over 10.3 million hectares against the 8.5 million hectares for last year. But this depends on HYV seeds availabilities. Against this hopeful situation, the procurement situation is somewhat in a mess. The Union government's target of procuring 5 million tonnes of rice involves providing 2.9 million tonnes to the deficit States, and using the remaining 2 million tonnes to build a buffer stock. The Russian wheat loan of 2 million tonnes will also be added to the buffer and the rabi harvest will further add to it. But

now rice procurement is really in a muddle because no policy was agreed upon at the Chief Minister's Conference (See last issue of the Bulletin Vol. III page 706). Really the 3 alternatives agreed upon—wholesale trade take over or levy on the producer or the miller or a combination of the levy on the producer and miller—has led to a widely differing policy in the Country. Such differences are not bad in this vast country but the total effect will not be towards contributing to a sizeable buffer stock nor to laying the basis for a future take-over of wholesale trade or a sound public distribution policy. Assam has taken over wholesale trade in rice though it has not really much surplus to take over. Kerala has decided to take over the wholesale trade. Orissa because of the floods has lowered its procurement target, Madhya Pradesh has not decided whether the levy should be on the farmer or miller by mid October, Mysore has increased its procurement price and is using a graded levy system, Maharashtra has adopted monopoly procurement of rice but allows open market sales of wheat, Punjab and Haryana have opted for the levy on the miller, and Tamil Nadu has abolished compulsory levy completely. Under these conditions it is doubtful whether the good harvest this year will result in building a good buffer stock. The purpose of this multi-system was to maximise procurement and prepare for wholesale trade take-over for the next season. These two objects can be judged by what happens during the rabi season. Meanwhile each surplus State should also be required to build a buffer stock in addition to the Central buffer. Other developments include the development of varalaxmi long staple cotton in 400 hectares of the Central State Farm at Raichur which could eventually replace Egyptian and Sudanese imports at a cost of Rs. 100 crores per annum. Further the Varalaxmi Strain yields 37 5 quintals per hectare which is well above the international average of 25 quintals per hectare. The Central State Farm at Rae Barelli has also demonstrated the successful reclamation of saline lands in 200 out of 1,000 hectares allotted to it and at Bhairach, U.P. has developed the 6,000 hectare plot into a multiple farm with fisheries, sheep and cattle. On the other hand at the October training course for SFDA/MFAL extension officers, the government called attention to 46 SFDA project which served as of July 1973, 17.6 lakh small farmers and 7.6 lakh marginal farmers of whom 13 lakhs are members of the co-operatives and had extended Rs. 9 crores of medium term credit and Rs. 28.6 crores of long term credit through co-operatives to them. The 41 MFAL projects serve 8.6 lakh marginal farmers and 2.8 lakh agricultural labourers of whom 4 lakhs are members of co-operatives who have received through it Rs. 3 crores in medium term and Rs. 2.3 crores in long term credit. These two agencies were started to help the small and marginal farmers overcome their lack of access to the scientific and technological advances which in the form of inputs and services were available to large farmers and so resulted in the widening of the gap between the small and large farmers. The results of SFDA's & MFAL reported above show the slow rate and inadequate nature of the corrective action, to some extent, because they act through co-operatives which have a mixed record in the different States. To help speed this programme, the National Commission on Agriculture has recommended the setting up of the farmers' service agency (See Vol. III page 490) to provide speedily integrated credit services to these farmers and labourers. 56 such service agencies are being set up to use the co-operative organisations for the supply of inputs, services and credit and for processing and marketing their produce. On the irrigation front, we will be ending the Fourth Plan with accumulative investment of Rs. 4,495 crores over all the

plan periods on major and medium projects, with actual expenditures of Rs. 2,827 crores. The Fourth Plan had to work on 81 major and 213 medium schemes and will be completing work on 15 major and 79 medium schemes. The means that 66 major and 134 medium schemes will be spilling over into the Fifth Plan. In physical terms of the 21.9 million hectares irrigation potential target of the four plans, by the end of the Fourth Plan we would have achieved a little over 50 per cent of the target at 11.7 million hectares of irrigation potential and 9.8 million hectares of utilisation. Thus a total of 10.2 million hectares irrigation potential will spill over to the Fifth Plan. This is not a very satisfactory record and can be improved to meet our growing agricultural needs. Another problem that the Fourth Plan has not done well on is with regard to land consolidation. If 5 acres is a minimum operational size, the 8th NSS Round reports that 71 per cent of holdings are below that and 42 per cent is below 1 acre. The Union Planning Commission's studies show that a consolidated holding's input-output ratio is 1 : 1.27, that for an unconsolidated holding's input is 1 : 1.03. During the Fourth Plan the growth of population, the non-availability of employment outside the agricultural sector, the stagnant area of cultivation and the inheritance laws have increased fragmentation. The time is now ripe to go in for compulsory legislation on consolidation—the people are ready for it. So too should there be organised efforts to set up consolidated State farms, improving on the first attempt of Kerala, The International Crops Institute for Semi Arid Tropics (ICRISAT) in Hyderabad has started well on its dry farming research on its 3,500 acres location. It has attracted financial support from a variety of international agencies (FAO, UNDP, IDA, and private foundations). Its work on Jowar is already useful, having collected 14,000 varieties from different countries and having demonstrated a record yield of 50 quintals per hectare, which represents for Indian conditions an important break through.

Exports: Exports are continuing to do well with last year's good performance in textiles and jute and to a lesser extent leather continuing this year. 50 million squareyards of textiles orders have already been exported. The demand for ready made garments is accelerating. The Bombay export fair for ready made garments in September attracted 240 foreign buyers from 15 countries, 30,000 persons visiting the 95 stalls and Rs. 3 crores orders were concluded on the spot, with U.S., Germany, Belgium, Holland, Sweden and U.S.S.R. leading the field. Last Year's $34 million export of garments which was a 100 per cent increase over 1971 will be exceeded this year and reach $50 million, a 40 per cent increase. Incidentally in future fairs like this a comprehensive picture of India's garment industry should be portrayed by the Export Promotion Council Stall and the reasons for the wide gulf between domestic and export prices (in this case 50 per cent higher for domestic consumers) should be explained. The latest export figures show that garments exports may earn much more than $50 million forecast and may reach $80 million. The quotas for this year, 12.5 lakh shirt pieces and 12 lakh blouses have been exhausted and enquiries from Sweden for handloom apparel, from USSR, US, UK, France for trousers, dress shirts, T shirts etc are increasing. The export earnings from jute are expected to be $23 crores. From textiles generally the exports earnings of Rs. 150 crores are likely to be surpassed to Rs. 175 crores reaching probably Rs. 300 crores. Exports in April—August had reached Rs. 60.71 crores, compared to Rs. 55.71 crores last year when textiles earned Rs. 157.91 crores.

Europe is the largest textile market taking Rs. 98.5 crores in 1972-73. If power supply is maintained, cotton grown internally at lower prices substituted for US or Egyptian Cotton and the mills modernised, this earning can be doubled next year. This may be the reason for the rather drastic reduction in export incentive for textiles, cloth and yarn exports which will get nothing, ready-made garments which will get 7.5 per cent for East Europe and 15 per cent for other countries. Handlooms are not given any special consideration. Other mill made textiles will get a 3 per cent incentive. It is to be hoped that the earnings will not be affected by this reduction. The reductions themselves exept for handlooms are more than justified. Export of silk fabrics in August was Rs. 98.26 lakhs, a 57 per cent increase over August 1972, with large purchases by UK, Japan Malaysia, Singapore and Italy. In late September the government banned the export of raw silk until the end of the calendar year to counter the spiralling prices of mulberry raw silk. Similarly the demand for jute goods is increasing following the reduction in export duties. Leather exports which were very high last year will not be expanding this year, because of the small demand for semi-processed hides and skins and the functioning of the export quota. The switche over to finished leather goods has not been completed so that this year there will be a setback. Tobacco exports which was 80 million kgs. valued at Rs. 57.6 crores last year will continue its high earning this year. Marine products exports are also booming having reached 38,903 tonnes worth Rs. 59.7 crores last year. Frozen shrimps play a large part in this, with Japan buying it at $7 per kg. Last year Japan's demand amounted to $40 million and is expanding for this year. Chemicals and rubber products will earn Rs. 180 crores and handicrafts and gems Rs. 110 crores. South Korea has emerged as a major customer for Indian textiles machinery for which an order of Rs. 30 crores has been placed. IDBI will have to help in bringing this under the buyers credit scheme and cover the risk. Trade with EEC is expanding both ways with an increase of exports to Rs. 223 crores (a 79 per cent increase over last year) but imports also increased to Rs. 318 crores, involving a deficit of Rs. 95 crores, which is less than the previous year's Rs 140 crores deficit. Exports of engineering goods, tyres, sugar and iron ore are all expanding. In the case of sugar as noted earlier an export of at least 5 lakh tonnes over and above the concluded contracts should enable the Country to earn Rs. 100 crores in foreign exchange. It is against this background that the export target for this year has been fixed at Rs. 2,000 crores, which will be a 7.5 per cent increase over last year's high total.

The need to accelerate exports even further to close the payments gap during the Fifth Plan calls for a review of exports policy and procedures. The 1970 policy document needs to be revised in light of the new developments in regard to import of crude, fertilisers and other essentials, the enlarged Common Market and the status of the Rupee trade and the international currency changes. The import bill in the Fifth Plan on crude and fertilisers is going to be heavy as noted earlier. The ECM trade agreement is still hanging fire. In October the Common Market authorities have asked that the Indo ECM agreement provide for a "nondiscriminatory" role in regard to ECM capital and its exploitation of India's natural resources, as a pre-condition for expanding India's exports into ECM. This is a curious demand for reverse preference and could more than cancel out any gains from expansion in India's exports to ECM. India has suggested that India-ECM trade should aim

not at an arithmetic balance but at a dynamic equilibrium attained through reciprocity of end results and not simply through reciprocal tariff reductions. This is incorporated in Article IV of the draft proposed by India in replacement of the reverse preference Article IV of the draft proposed by India in replacement of the reverse preference Article IV of the Community. Article VIII proposed by India would vest in the joint trade commission powers to develop economic and commercial co-operation of mutual benefit, propose means of overcoming trade barriers, recommend adaptation of production and marketing structures to rectify imbalances and create favourable conditions for trade and co-operation. In India's Article IV on the attainment of dynamic equilibrium in economic relations, it is also proposed that both parties use their complementarities on the basis of their respective factor endowments, leading to the largest possible diversification of India's imports into ECM. For this part both parties are to evolve means in respect of primary products, industrial raw materials, semi-processed and processed goods, semi-manufactures and manufactures, capital goods and scientific skills. The Minister of Foreign Trade went in November to the ECM countries to negotiate the agreement with a deadline of less than 2 months. Our export policy must provide for the outcome of these important negotiations. The status of the Rupee trade with the Soviet Union and the Socialist countries of Eastern Europe also needs to be reviewed. This part of our trade must be expanded. We have come increasingly to rely on the rupee area for import of ferrous and non-ferrous metals and other scarce items of industrial raw materials. These essential rupee imports should be contracted for on a long term basis. The implementation of this import programme should be strictly adhered to by both sides. Similarly our exports both of traditionals like tea, coffee, leather goods and textiles as well as non traditionals like engineering items, automobile components and ancillaries to this area should be expanded. In the case of non traditional exports, our products do not have the advanced and sophisticated technology that can make them competitive in Western Europe. Eastern Europe on the other hand provides both a good and sometimes a major market for our products as they are used to the intermediate stage that we are in and at the same time, exposure of our products to the international market in those countries can open the door to trade in the more advanced countries. The rupee area trade thus needs to be accelerated both ways. In regard to the third factor, the international monetary crisis, the policy will have to be open ended and flexible. Between March 1973 and July 1973, the Country's reserves increased by Rs. 62 crores to Rs. 909 crores, with no change in gold holdings, a marginal fall in SDR holdings (Rs. 184 crores) and an increase in convertible currency holdings from Rs. 479 crores to Rs. 542 crores. While this reserve position does reflect the spurt in our exports, the decline of Rs. 9 crores in the RBI foreign assets during the week ending October 12, makes the period July—September a period of reduction in the RBI's foreign assets by Rs. 31 crores, which is really larger in real terms as this sum also reflects the upward valuation of its non-dollar, non-sterling holdings. The effort that our exports must make to keep our foreign assets position stable is a large one. The government has appointed a Planning Commission Working Group to undertake the review of the 1970 export policy document. It has also simplified export licensing and other procedures, reducing the minimum for export cash assistance from Rs. 10 lakhs to Rs. 5 lakhs and Rs. 1 lakh in the case of small producers, ensuring that cash assistance is

disbursed within 7 — 10 days, clearing speedily (within 90 days) any proposal for exporting 60 per cent of production, relieving some of the pressures arising from canalisation of imports for exports and making a study of the proposal for an import and export boom. Another useful initiative is the review by regions of the export perspectives. A start was made with a review of South and East Asia trade by the Minister of foreign trade bringing together in September the trade attaches from Japan, South Korea, Philippines, Hongkong, Burma, Thailand, Malaysia, Singapore, Indonesia, Australia, New Zealand and Fiji in Singapore. Here a start has been made in working out the implications of exporting not only the country's surplus but also a part of the non-essentials consumed in the Country. For this region the exports in 1971-72 was Rs. 320 crores, in 1972-73 Rs. 380 crores and for this year Rs. 460 crores is the target and Rs. 525 crores and Rs. 585 crores in the following two years. To achieve these targets it has been decided to participate selectively in trade fairs, to strengthen or establish the regional STC office and a warehouse and departmental store in Singapore, Hongkong, and Tokyo, undertake publicity in the newspapers, improve the quality of exports and maintain precise delivery schedules, expand joint ventures of which 52 have been approved, and only 12 in operation, and extend the operations of the Trade Development Authority to East and South East Asia. Trade in this area has included sale in September-October of 1,000 railway wagons to Thailand, 110 wagons to Malaysia, 3,00,000 tonnes salt to Taiwan, 1,000 tonnes of rubber to Singapore and the textile mill with 50,000 spindles to South Korea, referred to earlier. Competitive pricing and proper marketing must be developed to achieve the targets established at this discussion.

Aid: Trade and aid negotiations are interwoven in the case of India's discussions with Japan, Iran and Nepal. The Sixth joint meeting of the Japan India Business Co-operation Committee in Kyoto at the end of September agreed that Japan would co-operate with India in fostering export oriented Industries and set up a standing working committee which will study in depth the setting up of joint enterprises in third countries using Japan's capital and technology and India's natural engineering and human resources. The studies will relate to fertilisers, steel, petro-chemicals, synthetic fibres, cotton textiles, agricultural machinery, marine products and shipping and ship-building. Japan has expressed special interest in participating in automobile parts, machine tools and electronics industries. On the setting up of joint undertakings in third countries a joint working group has been set up to identify one or two countries for such joint ventures. Japan has also reaffirmed that it will assist India in setting up three fertiliser factories. The Indo-Iran discussions concentrated on the increased imports into India of Phosphoric acid, amonia and exports from India of a larger volume of textiles, engineering goods, chemicals and pharmaceuticals. The Indo-Nepalese discussions concentrated on aiding Nepal with development goods such as cement, iron bars, steel, petrol, kerosene and food articles. With IDA'S fourth replenishment of resources assured (See last issue Vol. III page 710), India may obtain \$ 500 million to \$ 600 million a year during the next 3 years, 1974-75 to 1976-77. India has been receiving around 40 per cent of IDA's total aid in the past. This percentage may decrease with the larger membership of the World Bank including China, but the absolute amount of aid to India will not decrease. During the Fifth Plan, India will be depending on the World Bank group aid to the

extent of Rs. 2,250 crores ($3,000 million) The government is negotiating three loans with IDA—one for the fertiliser plant for Trombay, the second for expansion of our railways and the third for a minor irrigation programme in Maharashtra. The Trombay fertiliser project expansion is aimed at producing 75,000 tonnes of nitrogen at a cost of Rs. 38 crores. The Bank is to finance the foreign exchange cost of this expansion estimated at Rs. 13 crores. The problem of contracting on a long term basis for liquid ammonia has been holding up this project for four years but now the supply of this input is being arranged from domestic and annually from foreign sources. The Railway's Fifth Plan of Rs. 2,600 crores referred to earlier has a foreign exchange component of Rs. 330 crores which will be the 12th railway loan from IDA. IDA is rightly making the managerial and organizational reform of the Railway Board that was referred to earlier a condition for making this loan. The third IDA loan is for the one lakh new wells programme Maharashtra to be administered by the land development banks which must ensure the distance of 305 metres between the wells. The Soviet Union has loaned India 2 million tonnes of wheat. The first shipments arrived in October in Madras and Bombay and were taken delivery of by FCI. The loan which was spontaneously offered by the Soviet Union from its own stock (1.05 million tonnes) and its purchases in Canada (4.5 lakh tonnes) and Australia (5 lakh tonnes) to relieve the tight food situation in the Country and whose first arrivals took place even before the detailed agreement regulating the delivery schedule and repayment terms were signed, has eased the food situation in the Country. The loan will be repaid during the next seven years in five annual instalments of 4 lakh tonnes each, the first instalment to begin after 2 years. The total wheat imports for 1972-73 and 1973-74 will amount to 4.1 million tonnes of which 2.5 million tonnes have already been received. Canada has signed a 50 year soft loan agreement for $6 million (Canadian), that is Rs. 4.2 crores for the purchase from Canada of equipment for ONGCC ond Indian Oil exploration and development. Switzerland has also signed a 50 year soft loan agreement for 90 million Swiss Francs (Rs. 22.5 crores) for the foreign exchange needs of the Obra-Sultanpur-Lucknow 400 KV transmission scheme and for a transfer credit of Sw Fr 55 millions. Belgium has signed a non project loan agreement of 250 million Belgian Francs for the purchase of Belgian goods and services (195 millions) and for debt relief (75 million). The PL 480 negotiations have become somewhat clouded with the U.S Senate amendment to a military procurement bid under which the Congress agreement is required if the Indian debt of $3,000 million is not to be repaid in full. This may be an internal problem between the U.S. legislature and administration but it has rather serious implications for the PL 480 negotiations which are now likely to be further drawn out.

International :

Bangla Desh : Bangla Desh has begun negotiations with ECM with particular reference to its jute export. It has a strong case for a zero tariff on its jute exports to the enlarged Common Market. It exports 25 per cent of its jute crop of 4,80,000 tonnes to the ECM countries and earns 85 per cent of its foreign exchange from jute products. With a per capita income of $35, it qualifies as one of the least developed countries and it has not yet recovered from war ravages. It is therefore hoped that Bangla-Desh's special claims in the Bangla-Desh-FCM agreement will be given attention. With regard to the functioning of the Indo-Bangla agreement, India has asked for early delivery of 10,000 tonnes of newsprint The overhaul

of the Bangla Desh newsprint plant however will mean that only 50 per cent of that will be available now to this Country. It has also agreed to export 6 lakh bales of raw jute to India in October/November. The Meghalaya-Bangla Desh border trade was reviewed in October and the setting up of co-operative agencies and corporations to facilitate the trade in fruits and other goods on both sides was agreed upon. Bangla Desh is rehabilitating its 8.5 lakhs spindles, 25 per cent of which is lying idle for want of accessories and spares and is planning to instal 5 lakh additional spindles. For this a Bangla Desh delegation visited Bombay in October to purchase Rs. 2 crores of accessories and negotiate the purchase of additional spindles. The trade in books and periodicals between the two countries has been simplified by abolishing registration procedures and requiring the importers and exporters on each side simply to obtain the necessary licenses and deposit the proceeds in the Uttara Bank of Bangla Desh and the State Bank, Calcutta which will mutually offset the accounts. The trade is a rather small but important one, amounting to Rs. 44 lakhs under the limited payment agreement.

World Monetary Reform: The negative outcome of the Nairobi meeting on World Monetary Reform analysed in the last issue (see Vol. III pages 711-713) was despite a clear lead from the Fund itself and its new Managing Director. The Committee of 20 working papers which the Fund helped to produce was a sound working basis for the new system. Its seven principles were clear and to the point: (1) Adequate machinery for balance of payment adjustment on the basis of improved consultations between the countries through IMF and a set of indicators including the level of a country's reserves, (2) Stable but adjustable parties within a limit of 2.25 per cent as well as temporary floating under IMF supervision in special circumstances and penalties for countries who fail to maintain balance or carry out adjustments domestically or through parity changes, (3) SDR's to serve as the reserve asset and yardstick of the system with gold being phased out, (4) Commitment by all countries to convert against any reserve instrument any amount of their currency held by other countries, under a flexible convertibility system which can cope with the speculative flow of funds, (5) Removal of foreign exchange controls and co-operation to control effects of speculation, (6) Measures to increase the real flow of resources from rich to poor nations, (7) Member countries payment position to be watched over by a Special IMF body which could act as a court to judge offenders against these principles and award penalties. This was an excellent basis on which the IMF conference could have begun the process of reform. But as noted in the last issue, behind the principles there was basic disagreement on three basic issues between the developed countries—the rules for correcting balances and the convertibility of the dollar into gold—and between the developed and developing countries on the link between SDR's and development assistance. The gains from the Nairobi Conference are: (1) The fixing of July 31, 1974 to establish the outlines of monetary reform (2) the establishment of four technical groups to work out agreement on the details of the 7 principles. The 4 groups are to work on (a) the reserve indicator structure (b) settlement of financial pressures with particular reference to multi-currency intervention system, (c) global liquidity and consolidation and (d) transfer of real resources from the developed to the developing countries (3) The work on SDR to be undertaken by the IMF executive board. (4) The work programme announced by the Managing Director which will introduce the reform piecemeal as and

when agreement is reached on particular issues. This work programme includes: (a) Work by the Fund to analyse the operational implications of the various reform proposals and to establish legal texts on them so that the time between agreement on the reform outline and its translation into amendments of the IMF articles would be small. (b) Help to Member States to increase their co-operation in the exchange field during this interim period so as to reduce unnecessary instability in exchange rates. (c) Improved access of developing countries for short term borrowings from the Fund. The fragility of the international monetary situation was brought home in early October when the outbreak of hostilities in West Asia led to a decline of the dollar and the pound sterling which dropped sharply in the West German and Swiss Markets. On the other hand gold price moved up by nearly 5 per cent. Agreement by all—developed and developing countries—is urgently needed on the reform system if the development plans of the countries are not to suffer a setback. It is necessary that the Committee of 20 and its sub organs should function as a Committee of 20 and not as a conference of 160 senior officials and experts who turn up at these meetings representing various regional interests. If the developing countries do not exercise some discipline, then, both leadership and more seriously decision making will pass to the Big Five – US, UK, France, Japan and West Germany—who have in some disgust formed themselves into an unofficial steering committee.

Cardamon Community: A Cardeman Community is to be established by Guatemela, Tanzania and India who between them produce 90 per cent of the World's output of the crop. A working group of the three countries with the help of the FAO sceretariat is at work finalising the details of the articles of the Community. This will help in evening out price fluctuations and introducing a measure of price stability. For India it is expected to increase export earnings by Rs. 5 crores.

World Grain Reserve: The US has suggested in the UN General Assembly the calling of a World Conference on Food grains in 1974. At the end of September, an international conference of economists from Canada, Europe, Japan and the United States has come out with a plan for the creation of a world grain reserve to guard against shortages and to help stabilise prices. Under the plan each importing or exporting nation will maintain stockpiles of a specified size to be built up during surplus years. Under such a system prices will be used as trigger to accumulate or release the reserves. This much needed plan should be examined and put into operation by the United Nations Conference next year. The plan will also meet the disquiet that multinational Companies are developing increasing control over food supplies, as the world grains reserve can prevent manipulation of food supplies.

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II. Agricultural Development

Paddy :

The State shares in the very good Kharif crop prospects of the Counrry. In Thanjavur district HYV had been sown in 15.5 lakh acres out of 16.77 lakh acres under paddy. In South Arcot 5 lakh acres out of 8 lakh acres were under HYV paddy, in Tiruchy district IADP was extended and the yield under it was 25 to 30 per cent more and all alkaline land (2,500 acres this year and 2,000 last year) have been brought under cultivation. The sand cast land (10,000 acres) in South Arcot (See Vol. III pages 85 & 86) has been completely reclaimed. Because of the shortage in many districts, urea and ammonia sulphate was supplied only to paddy, irrigated ragi and irrigated cumbu crops. The result of all this plus plentiful rains is that rice production is expected to be 57 lakh tonnes this year, which means 4 lakh tonnes more than last year. For the State as a whole, 55 lakh acres out of 66 lakh acres were brought under HYV. By the third week of October, 60 per cent of the Kuruvai crop in Thanjavur was harvested. The Union Government on October 4 fixed the procurement price for paddy at Rs. 70 per quintal, which was Rs. 7 more than the support price. This increased the procurement price in Tamil Nadu from Rs. 53 per quintal to Rs. 70 per quintal for standard varieties with proportionate increases for other varieties. The State government on October 31 announced the new issue prices of rice as follows: Superfine Rs. 1.60 instead of Rs. 1.30 per kg. Fine Rs. 1.50 instead of Rs. 1 20 per kg; Medium Rs. 1.40 instead of Rs. 1.10 per kg; Coarse Rs. 1.30 instead of Rs. 1.10 per kg. On October 6, the government announced the abolishing of the levy system of paddy procurement all over the State except in Kanyakumari District. Till then merchants moving paddy out of a district like Thanjavur had to deposit 33 1/3 per cent of the stock with the government. The combined effect of these measures has been to increase the quantity of paddy coming into the market, assuring a higher price to the farmer through the increased procurement price, further increasing the prices to the large farmers who can move paddy to the districts where the prices are higher and increasing the price to the consumer. Whether these measures will lead to a narrowing of the price gap between rice sold in the fair price shops and the open market remains to be seen. The abolition of levy is in a sense a step back in assuring rice supplies to the poverty sector. On the basis of this season's experience of the whole system of procurement, levy, distribution and subsidised supply of foodgrains to the poverty sector should be reviewed and policy established. The immediate effect has been a stepping up of the Union and State governments' procurement of paddy. To help and speed procurement, FCI has opened 100 purchase centres in various parts of Thanjavur district and 15 mobile purchase centres equipped with weighing scales and moisture meters to purchase paddy from interior inaccessible villages. The result is that by the end of October FCI had procured more than 50,000 tonnes of paddy against its target of 1 lakh tonnes at a cost of Rs. 12 crores, the State Food Corporation had purchased 70,000 tonnes against its target of 1.10 lakh tonnes. The procurement targets of both FCI and SFC will be surpassed this season. Also on the basis of the heavy arrivals of rice into the market and in response to the appeals of their Chief Ministers, the State government has despatched 6,500 tonnes to Maharashtra, 3,000 tonnes to Mysore and 3,000 tonnes to West Bengal in October. This means that this State has con-

tributed 1.12 lakh tonnes to the Central pool for Kerala and 31,500 tonnes to other needy States, notably 6,000 tonnes to Gujarat, 11,500 tonnes to Maharashtra, 9,000 tonnes to Kerala, 3,000 tonnes to West Bengal and 5,000 tonnes to Mysore. In addition Gujarat has been given 16,000 tonnes of coarse grain and Maharashtra 10,500 tonnes.

Other Crops :

Pulses are being grown over 5 acres of fallow land in Thanjavur district and sun flower cultivation on black soil lands increased by 1·5 lakh acres. Maize is being harvested over 75,000 acres, the main centre being Coimbatore with 25,000 acres. In order to ensure continued cultivation of this important crop which is needed as a foodgrain by SFC, as starch by the Tiruchirapalli and Coimbatore Agro-Industries plants and as poultry feed by the Dairy Corporation, the State government has fixed the floor price of maize at Rs. 70 per quintal. Normally it sells for Rs. 80–90 per quintal but at harvest time the farmer gets only Rs. 60 per quintal. This year the SFC will buy unlimited amounts of maize at Rs. 70 per quintal to ensure a fair price to the producers. The State government has also obtained partial approval from the Union government for imposing a levy on the purchase of groundnuts by wholesalers within the State. It is conditional because interminable negotiations have been underway since April to decide on the levy price, the quantum to be procured, the terms of licensing. With the levy, the government will build a buffer stock and so check the continuous rise in the price of groundnut oil.

Research results :

The Tamil Nadu Agricultural University (TNAU) has made available four research results to help agricultural production. Two new varieties of short duration high yielding pulses which can be grown all the year round under either dry or irrigated land cultivation were released in October. One is the CO-2 black gram which matures within 65-70 days with an average grain yield of 1,000–1,300 kgs per hectare under irrigated and 700-900 kgs per hectare under rain fed conditions. This variety which can be grown as an inter crop in cotton and sugar-cane yields nearly double the earlier strain CO.1 which also took 200 days to mature. The other variety CO-2 green gram is also a short duration yield within 60-70 days. It can be grown under both rainfed and irrigated conditions and yields 20 per cent more at 1,000-1,200 kgs. per hectare than the traditional Pusa Baisaki variety. It can be grown as a companion crop with Cholam, Cumbu, Cotton and Sugar-cane. TNAU has also released a 300 litre fermentor to increase the yield of pulses and ground nuts crop. The fermentor is being used for increasing soil bacteria rapidly and for making seeds of greengram blackgram, groundnut and other legume crops which will be distributed to farmers to enable them to obtain increased yields. Another research programme is the combination of pathogenic micro-organisms and agricultural chemicals to deal with the over 5,000 insect pests which are destroying our crops. Use of chemicals alone carries the dangers that the pests become immunised to them, that they destroy beneficial insects and accumulate toxic residues in soil, water and the product. If small chemical doses are mixed with biological elements these dangers can be avoided. There is need for continuing research on this technique. TNAU has also divised a simple row marking implement for use in paddy seedlings plantings. It increases the coverage of plantings by 20 per cent, avoids the errors of uneven width in the plantings and releases the 2 workers who hold the rope for actual planting. The implement is

being used by the Department of Agriculture in IADP areas.

Coffee :

For 1973-74, the coffee crop is estimated at about the same level as that for 1972-73 at 90,000 tonnes. This is a small increase over 1972-73 which ended with 89,274 tonnes. Over the ten year period from 1963–64 to 1973-74 the production increase has from 69,320 tonnes to 90,000 tonnes. The average yield rose from 369 kgs. per hectare to 495 kgs. per hectare during the period. Exports have risen from 19,689 tonnes valued at Rs. 7.22 crores in 1960-61 to 50,858 tonnes valued at 32.93 crores in 1972-73. Domestic consumption however rose slowly from 34,650 tonnes in 1963 to 39,000 tonnes in 1973, the per capita consumption declining from 0·007 kg. to 0·006 because of the increase in population. By the end of September, 48,000 tonnes had been exported, which is exactly twice the quota given to India by ICO during the previous year. The International Coffee agreement expired as from September 30, 1973 and the new agreement starting from October 1, 1973 and running to September 30, 1975 has no regulatory mechanism for exports and imports and no quota system as pointed out in Vol. III pages 418 and 576. If ever there is agreement to reintroduce quotas, India's quota should be fixed at 50,000 tonnes and not at the old figure of 28,000 tonnes. The new arrangement however involves developing strategies for retaining old and opening new markets, particularly the nonquota countries in West Asia and Japan, with the target of earning Rs. 40 crores from the exports. Internally the Coffee Board has decided to release coffee powder at minimum release prices in order to expand domestic demand and consumption. The Board's evaluation committee's report based on the research effort and its results in Tamil Nadu, Mysore, Andhra Pradesh and Kerala should be carefully studied and followed up. Its research work has been successful in developing the industry along lines referred to earlier with particular reference to small planters. Above 94 per cent of the 51,600 plantations are in this category. The main problem is that about 40 per cent of the coffee plants are over aged and 70,000 hectares of the plantations are uneconomic. The replanting loan scheme open to all planters with more than 2 acres has so far aided only 200 growers involving 3,343 acres, with Rs. 87.43 lakhs in loans and Rs. 3.14 lakhs in subsidy. There is thus a vast area to be covered and this requires that the Agricultural Refinance Corporation should enter this financing area in a large way. Todate ARC has assisted only a large number of the 1,870 large plantations with their replantation schemes. Also the subsidy of Rs. 750 per acre should be raised to Rs. 1,000 and the interest rate lowered particularly for the small planter. A further help would be to allow a depreciation allowance for standing bushes in computing their agricultural income taxes. In view of their employment and foreign exchange earning potential, the development of the industry must be ensured and speeded.

Tea :

Against the somewhat depressing performance of South Indian Tea plantation for 1972-73 outlined in the last issue (Vol. III page 719) tea production for the 8 months ending August shows an increase of 0·79 million kg. over the same period in 1972. The good North East monsoon has helped the plantations and the year's production in the South could be over 2 million kgs. compared to last year. The price slump analysed in the last issue of the Bulletin was only slightly relieved. Quality teas from Nilgiris are in demand and are getting good prices. But the medium varieties have not attracted much demand so that

average price has been Rs. 5·96 per kg. compared to Rs. 6.30 a kg. last year. Despite good Coonoor auctions, prices this year are ranging over Rs. 4.68 per kg. compared to last year's Rs. 5·38. Hence on the export side, there is still stagnation, particularly for South Indian tea. By contrast North Indian plantations are continuing to export more. But the total Indian tea export effort is poor compared to that of the African Countries. With a larger output expected this year as a result of the monsoon, it is essential that exports be stimulated and expanded with the kind of machinery recommended in Vol. III pages 643-644 of the Bulletin.

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III. Industrial Development

Salem Steel :

The work on the Salem Steel plant project site is being carried out by the Hindustan Steel Works Construction Company Limited (HSCL) at a cost of Rs. 4.5 crores for this year. The earth work involving over 11 lakhs cubic metres levelling is nearly over. Over 3,500 workers are working on clearing the 1,700 acres over which the cold rolling mill complex is to be built. The railway neck entry to the area has been levelled and canals bringing Kanjamalai waters to the plant site at a cost of Rs. 25 lakhs are near completion. The site office (Rs. 10 lakhs) and 100 staff houses and workers' houses are under construction. A 2,500 tonnes fabrication shop to fabricate the machines needed by the Steel plant is being constructed by HSCL. 800 acres have been cleared for the township and 400 acres for ancillary industries to be located near the plant. There was some anxiety whether the 10 per cent cut on all Union government projects imposed by the Finance Ministry would slow down the work in progress. The Minister of Steel has however guaranteed the full budget so that the momentum in setting up the plant is not slowed.

Neyveli :

On November 3, the order for replacing the machinery in the Neyveli mine (See Vol. III page 348) with an allotment of Rs. 36 crores was finally placed. In view of the parlous power situation of the State, this action should in a year's time-that is by 1975—lead to raising 6.5 million tonnes of lignite. For the second mine cut which will cost Rs. 200 crores for the power plant and Rs. 106 crores for mining, the decision of the National Investment Board in December is awaited. As noted earlier the guarantee of this investment by the State government should enable the Board to arrive at a speedy favourable decision. Till December, Neyveli is 200 MW which will increase from December to 400 MW and with the oil firing of one 50 MW unit in May 1975 should increase its generation to 500 MW. This will be in time to meet the higher power demand of the State.

Kalpakkam :

The two special features of the Kalpakkam Atomic Power Plant are the submarine tunnel (See last issue of the Bulletin Vol. III page 733). To prevent the

tripping of the outdoor switchyard suffered by Tarapur caused by the salt in the air, Kalpakkam has built its switchyard indoors. Also nearing completion is the Rs. 20 crores submarine tunnel — the largest in the world — which will bring 12.5 million gallons of sea water per day to cool the plant's condensers. This 6.5 metre diameter 500 meters tunnel which was not in the original layout had to be carved out of granite rock at a depth of 50 metres because neither the sea surface nor the sea bed provided the flat surface for laying the pipes. The sea water which will have marine organisms will have to be purified by chlorination to avoid the condenser tubing being clogged. For this the plant is building its own chlorine factory to supply its needs.

Karaikudi :

The Central Electro-chemical Research Institute, Karaikudi has developed a new process, zinc chromate primer, to protect steel and metal structures from corrosion in marine atmosphere. It performs 3 fold better than red oxide-zinc chromate primer and can be used on bridges, towers, tanks, sheds, poles, bus bodies and aircraft parts. It is not at present in use in the Country and trials at Mandapam Camp, Mangalore and Madras harbours show that it performs well for a period of 2 years. Now a plant for producing 135 tonnes per year at a cost of Rs. 3·7 lakhs, with a unit cost of Rs. 7.35 per kg can be established by a small entrepreneur. The zinc chromate and suitable vehicles are the raw materials needed and are all indigenously avilable.

Handlooms :

On October 20, the control over the distribution of cotton yarn upto 80 s has been abolished. Thus yarn distribution controls have been abolished in stages—up-to 17 s on June 21, upto count 35 s on July 18 and upto count 40 s on August 4 (See Vol. III pages 506, 580, and 646). The controls over the production pattern and prices however remain. The problem of handloom weavers in the State however continues with regard to prices, not with regard to availability. A late October report from Coimbatore for instance states the yarn production in all textile mills in the Coimbatore districts is normal and supplies of yarn are plentiful. It is the prices at which they are being offered which places them outside the reach of the handloom weavers. The prices fixed by the Textile Controller for 80 s yarn is Rs. 120 and for 20 s yarn is Rs. 43. The co-operative mills and the State Textile Corporation mills are selling them at Rs. 131 and Rs. 49 respectively. The textile mills having obtained a Supreme Court stay order against the controlled prices are selling at Rs. 190 and Rs. 60 respectively. Under these conditions the handloom weavers face acute distress in obtaining yarn at reasonable prices. The domestic demand for handlooms–the pre-deepavali and deepavali demands–were high. There has been a 20 per cent increase in the off-take and the export demand as well as the demand from the villages have increased to a point that the 90 days credit off-take has been reduced to 30 days and even to cash deals. Handloom goods are about 20 per cent costlier and Khadi about 15 per cent because of the higher prices of yarn. The handloom goods sales were good at Kuralagam reaching Rs. 1 lakh a day. On the other hand handloom exports face a serious crisis. It was expected that exports this year will pass last year's Rs. 45 crores to Rs. 50 crores. But due to the high yarn prices, the prices of handloom goods have shot up and the government's decision to abolish or reduce drastically the cash assistance to handloom and other textile exports means that foreign importers have to pay 45-50 per cent more to meet handloom costs in this State—which they are not

able or willing to do. What is needed is for the government to enforce the price control order fully, once the Supreme Court order is established and in light of it continue the export assistance scheme at least till the end of the year for exports which have been contracted for. The other group which is even more severely affected are the art silk weavers particularly of Chinnalampatti in Madurai district, who are in such extreme distress that 2,000 of them have moved out of the village to look for other jobs. Here the position is even more inexcusable. On the one hand the Karnataka government is taking urgent desperate measures to shore up the falling prices of raw silk which fell from Rs. 270 per kg to Rs. 200 per kg in early October—a perfectly normal trend after a good crop and heavy market arrivals of cocoons. That State government wants that the ban on export of raw silk be lifted to push prices up—without realising that foreign buyers will not pay more and silk weavers in Tamil Nadu are still unable to get raw silk because the producers are withholding stocks with the Rs. 1 crore guarantee from the Karnataka government to the Silk Marketing Federation. In the case of Art silk there is a complete muddle. The viscose unit in Mettupalayam produces 2,500 bales of art silk per month and the State's requirement is 5,000 bales. But even the Mettupalayam unit production is turned over to the Union government voluntary distribution scheme of art silk yarn, under which the master weavers who dominate the Central and regional Committees obtain all the allotments. This may be workable in other States, but in Tamil Nadu where there are few master weavers, the actual weavers are starved for art silk yarn. The State government has taken emergency action in rushing stocks of art silk yarn to Chinnalampatti for distribution under a card system. Now the Union government should drop its non-functioning voluntary distribution scheme and entrust the State government with responsibility for distribution of art silk yarn among the actual weavers, using the card system which it has already introduced in the State.

Handicrafts:

The Tamil Nadu Handicrafts Development Corporation—called Poompuhar—which started functioning from 1 August with an authorised capital of Rs. 50 lakhs (75 per cent subscribed by government and 25 per cent by individual artisans and artisan co-operatives) is aimed at keeping alive the fast dying handicraft skills in the State through provision of finance, improved tools, marketing and running 19 training and production centres. Poompuhar has taken over 14 government emporia all over the State and will be running sales emporiums in Delhi and Bombay. It will extend its activities from marketing, to supply of raw materials to the artisan, improve his techniques and tools, organise credit facilities for him and introduce quality control measures. The first exhibition organised in October in Rajaji Hall was a good start but did not cover the very wide range of handicrafts being practised in the State. Its next exhibition in Delhi should have a wider coverage. Palm products and the total production of palm gur products valued at Rs. 4 crores can be further increased to 6 crores, if the 5 crores of Palm trees in the State (in the Country there are 6 crores) are developed. For this there should be modernisation of manufacturing techniques and improved marketing arrangements. This is necessary to safe guard and increase the export of palm fibres for industrial purposes to 40 countries. To date export orders for Rs. 7 lakhs have been received for palm products, Canada Rs. 1.5 lakhs for palm leaf hats, Holland Rs. 3 lakhs for palm fibre brushes and Kuwait Rs. 2.5 lakhs. The palm fibres are facing increasing competition from synthetic products and hence the moderni-

sation of their production techniques is imperative.

Small Industries :

On the occasion of the inauguration of the Entrepreneur Advisory Service of the Indian Bank which has helped 23,000 small entrepreneurs to set up small industries and the IOB loans programme for tailors, vegetable vendors, and caterers, the need not only to provide credit to small enterprises but for the banks to help them in choosing the product to manufacture, in site selection and for the larger industrial houses to use their marketing outlets in marketing the small entrepreneur's products were stressed. A problem that is hampering small industry in the State is their annual need for 2.5 lakh tonnes of steel against which the State is allotted only 2,500 tonnes. There is need for HSL to open a stockyard in Madras and vest in the State government the distribution of scarce iron and steel raw material for small industries. The welding exhibition organised by IIT and the Madras branch of the Indian Institute of Welding in November helped to demonstrate welding machines and consumables and helped to bring together the researches and users in this area. This is a useful service for this sector of small and medium industry.

Tyres :

The Madras Rubber Factory's Goa tyre unit with a capacity to produce 4 lakh automotive tyres and tubes went into operation at the end of September. It has been built with only Rs. 1 crore of import and will have a turnover of Rs. 30 crores, employ directly 1,500 workers, support 20,000 acres of rubber plantation and contribute Rs. 18 crores in excise and tax to the government. The joint sector unit promoted by TIDCO, the Tamil Nadu Rubber Ltd. with Rs. 18 crores capital and its plant in Tirupathur, Ramanathapuram will start production in 1975 of 4 lakh tyres and 4 lakh tubes, 10 per cent of the production to be exported.

TIDCO :

The Tirupathur plant is one of 40 medium and major industrial units which TIDCO is promoting at an estimated cost of Rs. 410 crores to which it is contributing Rs. 40 crores. The industries range over chemicals, engineering, pharmaceuticals and consumer goods production. Some of the projects include soda ash, ammonium chloride, chromium, tannic sulphate powder, boric acid, nylon filament yarn, calcinated petroleum coke, refractories, steering gears, marine diesel engines, doubling the capacity of CONCAST and Tamil Nadu Cements, fishing trawlers and commercial transistorised TV sets etc. SIPCOT will be aiding the industries with financial assistance, TIDCO is also planning to launch production of ABS plastics not now being produced in the Country.

SPIC :

In early October the Rs. 80 lakhs water treatment plant and the private railway siding were commissioned. The plant comprises a 4 million gallon storage tank, pumphouse, storage tanks for treated water and will meet the 10 million gallons per day of water needed by the project. The Rs. 33 lakh railway siding was completed within 9 months and like everything about the giant petro-chemical Corporation has been executed with despatch, economy and efficiency. It has all the requirements for the location of a giant fertiliser complex, with outreached in other parts of the State.

Leather :

The switch over of leather exports from semi-processed hides and skins to finished goods is being helped by two develop-

ments. First UK and West European buyers are demanding finished leather goods in increasing quantities. The exporters are making offers of semi-processed leather according to their quotas which have been cut on the average by 50 per cent (See Vol. III pages 508 & 582 of the Bulletin). It is the processed goods that can be fully exported. The second help is the liberalisation by the government of the licensing procedures for the existing semi-finished leather manufacturing units to convert themselves into finished manufactures. These units are allowed to instal the equipment they need for the conversion, and apply to the capital goods committee for import of equipment if needed. Those who wish to increase their capacity can do so under rule 16 of the 1962 Licensing Act. Such conversions if possible, can take place even without waiting for amending their licenses. Thus the leather units are moving speedily to install machinery for becoming finished goods leather manufacturers. To help this process of switch-over, the National Small Industries Corporation's prototype development cum training centre in Madras will develop six to eight prototypes of leather machinery annually for commercial production by the small scale sectors. It will provide common service facilities to 500 manufacturing units and train 100 persons in leather manufactures per year. The Danish government is assisting the Madras Centre.

New Companies :

During October TIDCO was granted consent for the issue of Rs. 100 lakhs in 12 year debentures of Rs. 1,000 each with 6 per cent interest to add to the Corporation finances. Also Bundy Tubing has been given consent to issue Rs. 72·50 lakhs in equities, Rs. 12·50 lakhs in preference shares, and Rs. 22.50 lakhs in debentures for setting up a tubing plant in Gujarat. During September 16 private companies, 8 public companies, and one guarantee company were registered with an authorised capital of Rs. 391.5 lakhs in the State. Two of these were large public companies with Rs. 1 crore and Rs. 50 lakhs authorised capital.

Hindustan Teleprienters :

The Annual report of Hindustan Teleprinters for 1972-73 shows progress in its production, despatches and turnover in relation to the year's targets despite the power cut and the railway delays due to the Andhra disturbances. The company produced 6,042 units of Teleprinters (compared to 4,779 in 1971-72), the supply of spares was Rs. 67 lakhs (compared to Rs. 58 lakhs in 1971-72) and the turnover was Rs. 90 lakhs higher at Rs. 422 lakhs. It registered a net profit of Rs. 74.2 lakhs, despite the price of a teleprinter being maintained at Rs. 5,300 over 3 years—being half the price of an imported machine. It has been able to finance its expansion programme at Rs. 120 lakhs for the Fourth Plan and will be doing so again for the Fifth Plan at Rs. 310 lakhs in developing new models of electro-mechanical and electronic teleprinters and several varieties of ancillary equipment. The newly established R & D unit is working on these new products and technologies including several projects in the electronic and electro-mechanical fields.

Sakthi Pipes :

The annual report of Sakthi Pipes for 1972–73 is in effect the story of the rehabiliation of this company founded in 1966, producing well below capacity, facing cost over-runs and turning out pipes which were rejected for their technical faults and unsuitability, so that the plant had to close down in 1972. After assessment of the plant, and its being the only one of its kind in the State and the large potential

demand for its product, the State government took over the plant, reconstituted its Board of Directors, appointed a managing director and provided it with requisite finance. Its air cooled machine has been repaired and its hot blast cupola intended to use steel scrap which is in short supply has been reconditioned to work with pig iron. Additional air cooled machines are being installed to meet the increasing demand for larger diameter pipes as well as a foundry for machine castings and specials. It is hoped that the next year's report will show a good and sound record of the company.

Madras Fertilisers :

The 1972-73 annual report of *Madras Fertilisers* is important because it is a record of the first full year operation. It has made a good first year start. Its ammonia production was 610 MT per day against the capacity of 750 MT which it plans to reach this year by correcting the mechanical limitations. The plant nutrients were 205, 800 MT, which placed it second in the Country. This production rate has been further improved this year. In April the urea plant produced 25,976 MT, which is 108 per cent of its capacity. Its new materials of Naphtha and potash are adequate but there is short supply in phosphoric acid. It ended the year with a net loss of Rs. 0.15 lakhs which should be turned into a net profit for next year. Its marketing and distribution is of a high quality with a wide ranging technical extension programme, multiple crop demonstration, soil testing and product promotion programmes touching several thousand farmers. On this basis, the Company should further improve its performance next year when the Rs. 10 crore additional NPK fertiliser unit will be installed.

Private Sector Reports :

The annual report of *Sesha Sayee Paper and Board Limited* for 1972-73 is a good record in face of a year of difficulty due to the power cut, coal shortage and transport bottlenecks. Its production of paper and boards was down by 7 per cent, (2,300 tonnes) and gross profits lower by Rs. 57 lakhs over 1971-72. It was able to provide for Rs. 66.15 lakhs for depreciation and Rs. 31 lakhs as development rebate and declare a 12 per cent dividend. On an equity base of Rs. 350 lakhs, it has paid back Rs. 359 lakhs on its long term loan of Rs. 604 lakhs. During the year the plant has substituted hardwoods for bamboo to the extent of 50 per cent. Given the scarcity of bamboo in the State, this is an important development which the government must aid by lowering its charges for use of forest hard woods. Labour costs rose during the year by Rs. 15 lakhs as it increased by Rs. 13 lakhs the previous year. The company has received a license for the import of 3 diesel generators from East Germany and with the import of 5 MW turbo set will become independent for its power needs. The Union government has granted the letter of intent for expansion of installed capacity of 50 tonnes per day so that by next year its total installed capacity will be 50,000 tonnes.

The Annual report of the *Mettur Chemical and Industrial Corporation* for 1972-73 is along similar lines of a good record in face of serious difficulties caused by the power cut for this power intensive plant, railway transport disruptions for this company which has to transport its 280 tonnes salt raw material over two gauges from Vedaranyam and Adirampatnam to Mettur and scarce raw materials. The output of caustic soda was 32,927 tonnes against

38,572 tonnes in 1971-72 (a 16 per cent decline) sales were Rs. 761 lakhs compared to Rs. 799 lakhs the previous year and the net profits Rs. 77·89 lakhs against Rs. 95·57 lakhs in 1971-72. The production of chloromethanes was maintained at a high level. In view of the growing demand for methanol, the Company is planning to produce it as a byproduct in its polyester plant. The Vanaspati plant has not performed well because of the shortage of oil seeds. For the future the present installed capatity of 140 tonnes of caustic soda per day is being expanded by 50 tonnes per day on the basis of the letter of intent. Other plans include production of silicon chemicals on which a start has been made. A well managed and efficiently run company, it has maintained good industrial relations during the year.

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IV. Education Science and Health

Student Unrest:

Since the 20 incidents of violence and unrest in educational institutions, reported in the last issue of the Bulletin (Vol. III page 724) there have been 8 instances of lathi charge and firing on students–3 in Mysore State (in Gouribidanur, Karwar and Sirsi) and one each in Moirang, Delhi, Khanabal, Bombay, and Trivandrum, one incident involving violence at an examination in Bombay and one instance of Gherao of the Director of an Institute in Jaipur. The incidents in Mysore were in connection with the general bandh and agitation against the rise in prices organised by the political parties. There was looting of shops by anti-social elements who took advantage of the student unrest. In Moirang, near Imphal, the students who started an agitation for certain amenities in the multipurpose secondary school, turned violent, setting fire to the principal's quarters, Violence erupted in Khanabal near Srinagar, when the students of a college demonstrated in protest against the alleged manhandling of a student by the driver of a government bus. The student federation of India observed the second death anniversary of a student martyr and agitated the following day against alleged police repression in Trivandrum. A rather unusual incident involved the use of knives and weapons by a group of jobless youths, who removed the question papers and answer documents from an examination hall in South Bombay. The Birla Institute of Science and Technology at Pilani has been closed indefinitely following demonstrations by about 2,000 students and the gheraoing of the Director of the Institute. Their demand is for reinstatement of a dismissed teacher. In the wake of the agitation in Karwar comes the report of one death and injuries to two persons in police firing, described as in self-defence. Some of the incidents involved as usual, students and a public utility service like the transport system and resulted in destruction of public property. Most of the agitations reported are for reasons extraneous to the educational system. The need for educational reform to produce a satisfying educational system

and the development of social restraints is becoming urgent.

Educational reform:

The recent innovative steps taken and measures proposed for reform in some aspects of school and college education might be regarded as reinforcing the demand for much needed change in the educational system in the State and elsewhere. The opening of a model school for girls in Madras, the suggestions by the Education Minister of the State for changes in aims of education, the former District Board High School Headmasters' appeal for gazetted status, the UGC'S suggestion for autonomus Colleges and the Madras University Syndicate Committee's recommendations for liberalising the rules for teachers to register for the Ph.D degree are all moves in the right direction. The Model School for Girls in Triplicane opened in October is the second of such institutions. Its post-graduate teachers have freedom to introduce new methods of teaching. It is equipped with excellent laboratory and library facilities. The constraint for establishing more such schools is paucity of funds. The State Minister for Education, has advocated changes in school education, at a special Conference of Headmasters, advocating greater academic freedom to high schools to devise their own yardsticks to measure the aptitude and intelligence of pupils. The Minister has also advocated greater freedom for Colleges without students having to follow a stereotyped syllabus but to evolve one which would enable students to think. He also suggested formation of welfare "Councils" with representatives of teachers, students and parents. The University Grants Commission has recommended to the Universities that they should set up autonomous Colleges. Such Colleges will have freedom in the framing of rules for admission, structuring of the various courses of study and the formulation of methods for evaluation. The conditions for grant of autonomy, among other things, are that such Colleges should be sponsored by the respective Universities, should subscribe to a 10+2+3 year scheme of education when it comes into force. The autonomous status will be initially for 5 years. Following the visit of a Union government committee, the State government and the representatives of schools and Colleges declared that they accepted the 10+2+3 pattern of education with 10 years of school to be continued with a 2 year junior college or intermediate or higher secondary course and a 3 year degree course as against the existing pattern of an 11 year school course followed by a 1 year Pre-University and a 3 year degree course. It is now necessary to move to this new system from the next academic year. For the reform of the present examination system, the Madras University has called for suggestions from the various Boards of Studies. The Boards have been asked to examine the question papers and other aspects of examinations. The feasibility of introducing internal assessment in the degree classes so as to evaluate the work of a student continuously is also to be examined. The proposals from the Boards will be placed before the affiliated Colleges, teachers and students for consideration. This is the procedure being followed to give effect to the UGC proposal of examination reform (See Vol. III page 725 of the Bulletion). The appointment of a student as a member of the Senate is an innovation introduced by the Kerala University. Investigations are afoot by the Discipline Committee of that University for alleged malpractice in the valuation of the B A. examination papers of the Student-Member. It is to be hoped that this single incident will not affect the trend to associate students with the governance of universities The Madras University Syndicate Committee formed to study the

regulations for registration for the Ph. D. degree by College teachers, has proposed that teachers may register for the degree under a supervisor in their own College, or in a neighbouring institution provided they have eight years teaching experience. The existing regulation is that the supervisors should be in the same institution. This may help to increase the number of Ph.D's from 30 in social sciences and 258 in the natural sciences during the last decade to a more adequate number and promote this spirit of research among teaching staff.

Adult Education :

Kerala State has tried out successfully a scheme for adult literacy with creditable results. It stands first among the States, with 60.16 per cent literacy in 1971. Out of the total population of 215 lakhs there are 85 lakhs illiterates. The Kerala Grandhasala Sangam's proposal to root out illiteracy in 5 years using libraries as literacy centres is innovative. The Union government agreed to finance two of the 10 centres with an intake of 40 adults in each centre. This project started on 1st December 1972, was successfully completed in May/June 1973. There are at present 30 centres for men and 10 centres for women, with central financial assistance. The broad outlines of the scheme are: (1) An expert Committee of psychologists, educationists and social workers has been formed for the project (2) Persons of the age-group 15 to 35 years or 40 are admitted, (3) Social studies, arithmetic, poultry farming, dairy farming, cottage industries are taught through the mainstream of agriculture or fisheries which are the main occupations The original scheme was designed for 6 months which has now been changed to 12 months, with the working hours of 2 to 2½ hours for 3 days in a week fixed in such a way as to suit the convenience of the learners. The original experimental scheme did not have a literacy primer which has now been prepared with 30 lessons covering the alphabet and a 500 word vocabulary. A nominal honorarium is being paid to the literacy workers. The danger of relapsing into illiteracy is taken care of through a fortnightly entitled "Sahasra Keralam". This kind of adult education programme should be launched in all States—particularly those with a large number of illiterates.

Science :

There has been a considerable increase in expenditure on R & D in the Country in the last two decades and a corresponding increase in R & D personnel. The expenditure and its percentage to national income have increased from Rs. 12.2 crores and 0.2 per cent in 1952-53 to Rs. 21.5 crores and 0.54 per cent in 1971-72. The budget allocation for the Fifth Plan for R & D is Rs. 2,500 crores. But the results obtained leave much to be desired, although the intellectual environment, skill and organisation are not lacking. Although the industrial output in the Country is approximately Rs. 8,000 crores annually, only 0.5 per cent is spent on R & D. The activities of the Council of Scientifie and Industrial Research (CSIR), are not linked to the desirable extent with the needs of the industries. It is essential that priorities should be set among the several objectives, result oriented work should be pursued and a proper orientation in management should be assured. In this context the announcement of the Union Minister for Industrial Development that the research at the educational and manufacturing levels is to be co-ordinated for maximum results and that the government of India is working on a policy for the Fifth Plan to that effect is encouraging. The visit of the members of the Planning Commission of the German Democratic Republic to India raises the possibilities of

mutually favourable co-operation between the two Countries. G.D.R. could offer to India technology in respect of electronics, light engineering, electrical industries to generate additional production to meet the requirements of the Country.

In the scientific research field lack of finance is likely to deter some of the projects. The draft science and technology plan, in six volumes, submitted by the National Committee on Science and Technology to the Planning Commission envisages an outlay of Rs. 1,700 crores. Out of this outlay Rs. 700 crores is meant for research and development programmes of agencies such as the Atomic Energy Establishment, CSIR, ICAR etc. and Rs. 1,000 crores for research schemes under various departmental organisation like the Geological Survey. Three main research projects of national importance suggested are: (1) stepping up the research for replacing oil by coal (2) the development of a 500 megawatt generator and (3) a comprehensive survey of natural resources with sophisticated equipment. The Planning Commission is of the view that the expenditure should be reduced to Rs. 1,000 crores. A final decision is expected when the Plan document is finalised. Last year the Indian National Science Academy was given a grant of Rs. 15 lakhs for basic research projects by individual scientists. It is regretted that this year's grant of Rs. 12 lakhs has resulted in the termination of a dozen ongoing basic research projects. This however emphasises the need to improve the effectiveness of the utilisation of the resources. The Indian Council of Agricultural Research is in difficulties in respect of recruitment to over 1,000 posts lying vacant for over 12 months. The delays have been due to the uncertain future status of the Council. It is expected that the Union government will decide in November on the Status of the Council and so help to correct this serious shortfall.

Space research programme is to receive top priority. The Planning Commission, which initially wished to cut the funds for the programme, has now allocated Rs. 145 crores for the Indian National Satellite programme, intended to be used for the television and communication network. Rocket probes for studies in aeronomy and astronomy, satellite launching systems, remote sensing, special materials etc. are the main subjects for the research and development proposed. Besides the expansion of the Thumba and Sriharikota launching stations, the programme is to develop immediately a launching vehicle called SLV-3 on which some work has already been done. This will be a major breakthrough for India, as it would be capable of putting a 40 kg satellite at 400 km near circular orbit. (See Vol. III pages 195, 359-360 & 588). The Central Arid zone Research Institute (CAZRI), Jodhpur, has made breakthrough in the techniques for the use of sunlight as an alternate source of energy. The possibility of the use of solar energy to energise solar water heaters, solar dryers for agricultural produce, solar power for transistor radios and to provide light in houses has been established. If these could be commercialised it would compensate for the shortfalls in electricity, coal and kerosene.

Health :

The accommodation in the Cancer Institute, Adyar, is being enlarged by addition of an Annexe for which the foundation stone has been laid. The Government has allotted over 6 acres of land in the Raj Bhavan area for a new complex with 200 beds, which will have its own diagnostic and therapeutic equipments. The Cine Radiographic Television Unit, and the Philips Gamma Camera are sophisticated instruments newly added to the existing equipment. This transistorised instrument can be used for brain examination, record the distribution of radio-activity in the

organs etc. A breakthrough in the treatment of oral cancer has been achieved at the Institute. The establishment of occupational health services and appointment of industrial physicians and safety engineers in large factories are being emphasised as occupational diseases among workmen have increased considerably. The Indian Medical Association has recommended to the Union and State Governments legislation for comprehensive health services in industries.

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V. Employment

The State government has launched a Rs. 76 crore scheme for providing employment to 48 lakhs rural artisans. The scheme has started in 3 blocks and on the basis of the results, it will be expanded further. The entrepreneur advisory scheme of the Indian Bank and IOB referred to earlier, the employment promotion scheme of the State Bank, the scheme for assisting medical graduates of the Syndicate Bank are all part of the employment generation programme in the State. One of the suggestions of the Bhagwati Committee that tax rebate should be granted for the additional workers employed by a plant needs to be further studied by the government and economists. It could be a useful means of increasing the volume of employment in the Country. The immediate and massive solution to our growing unemployment must however be found primarily in the rural sector—agriculture, agro-industry, fishing and animal husbandry. Our concentration on the employment of the educated unemployed tends to hide this major fact.

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VI. Other Items

ICSSR Review Committee Report:

The two Volume report of the ICSSR Review Committee was presented to the Chairman of the Council in early November. It was released by the Council for public discussion in early December, after a first review of its major recommendations by the Council. It is being circulated to the Lok Sabha and Rajya Sabha for their information and discussion.

Indian Adult Education Association Conference :

The twenty sixth all India Adult Education Association Conference was held at Jaipur from October 4 7 under the theme Adult Education in the Service of Development. The Conferenee was inaugurated by the late Chief Minister of Rajasthan, Mr. Barkatullah Khan, and the adress on the main theme was delivered by Prof.

M. V. Mathur, Director, National Staff College, New Delhi. There was a useful review of the activities of the affiliated associations and the members' faith in adult education and its role in national development was once more reaffirmed. There was a brief discussion on the conditions under which adult education can and cannot promote national development. The main conclusion of the conference was that as its members are sturdy practitioners of adult education with a deep and abiding faith in it, there is no need in the future to continue the overall macro discussions on the role of adult education but rather use the occasion to discuss technical problems which can help the members. For this some 3 or 4 themes are to be chosen and made the subject of study by the affiliated associations during the year and on the basis of reports of these activities, the next Conference can engage in a technical discussion. The year's Zakir Hussain Memorial lecture was delivered by the Director of this Institute, Dr. Malcolm S. Adiseshiah. The lecture will be published in a future issue of the Bulletin.

Round Table of Economists:

The National Economic and Social Forum, Bombay, organised in Bombay from October 12—14 a round table of economists to analyse the current stagnation of our economy and suggest the way out. The Round Table was financed by the G. D. Somani Foundation and was attended by Dr. Dantwalla, Dr. Lakdawalla, Dr. Brahamananda, Dr. F. Mehta, Mr. Pendse, Dr. Shah, Mr. Venu, Mr. S. M. Shroff, Mr. K. L. Bagal and Dr. Malcolm S. Adiseshiah (Chairman). Its conclusions were discussed with Mr. C. Subramanian Minister for Industrial Development at the concluding session. The declaration of the Round Table which appears as the second article in this issue was presented by Dr. Adiseshiah and Mr. N. K. Somani to the Prime Minister, Mrs. Gandhi, on November 2, at her office in New Delhi. Mrs. Gandhi welcomed the initiative as a means of rousing public opinion to the gravity of the present situation and as a means of forging agreement and consensus on the difficult decisions that must be taken as outlined in the decision. Some of the proposals for structural change are more easily said than accomplished, she pointed out. The unique feature of the Round Table was that it brought together academic and business economists and enabled them to reach agreement on both the diagnosis and the remedies in relation to our current economic situation. A comparative analysis of the Round Table conclusions alongside of other such studies has been attempted in the National Section of this issue.

Council for Social Development:

The Fifth Meeting of the Council for Social Development was held at Literacy House, Hyderabad on October 15. The Council has an impressive research record in the social field during the year. Its completed studies include a 5 year fertility survey in Shadnagar, a study of family planning in 2 industrial units, and construction of psychological tests for 6 plus children from backward sections of the community. Its ongoing projects include non-formal education of rural women in six villages in Andhra Pradesh, the survey research training centre, the research project on growth centres, and a third study on family planning in the industrial sector. The Council decided on the recommendation of its Director to publish the history and accomplishments of the Council todate and to develop its Research Advisory Committee as a federal committee to guide the Council in its leadership role in social research in the Country through forming consortia of research institutes in the fields of the growth centres, integrated

child care, family planning, non formal education and communications. The Council has a very good and experienced research staff which will now take the responsibility for its further development led by its outstanding director.

Education and Social Justice Symposium:

At Villa Cavaletti, Frescati, Rome, a colloquium was organised by the consultative committee for Indian Colleges from October 18-21 on the relationship of education and social justice. The exchanges ranged over Ethiopian, Dominican, French, Pakistan and Indian experiences. The common elements that emerged were: the education system particularly at the higher levels in all countries is a reflection of the unjust social order and is heavily weighted in favour of the rich and middle classes: in the third world in-equalities are increasing and social injustice is becoming glaring and unbearable and education partakes in this growing crisis: education's first task is to make people aware of this social crisis and prepare them for corrective, even revolutionary action: against this background it is urgent that the educational system should be expanded to include all forms of out of school education and its studies related to community action and development. In this task not only the Western experience but those of other developing Socialist Countries like China might be of use in building a new social and educational system.

Conference on unemployment:

Sri Ramakrishna Mission Vidyalaya's Inter-Rural Institutes Conference on unemployment held on September 28, 29 and 30 at Coimbatore was inaugurated by Mr. K. V. Raghunatha Reddy, Union minister for Labour who called for the forming of new forms of agro-industrial corporations and intensification of agriculture and small industries as a means of meeting the unemployment problems. The Conference examined the causes for the Country and reviewed the various remedies proposed by the Bhagawati Committee, the government and voluntary bodies. The general conclusion was that the problem of unemployment and particularly of under-employment was massive. Its remedy must include both a number of practical programmes which can generate and increase employment and provide full time work for those who are unemployed. A pre-condition to solving the unemployment problem is a more equitable spread in the ownership of the means of production in the Country so that employment generation and not profit maximisation could be the centrepiece of the economy.

United Nations Day:

October 24, the United Nations Day, was celebrated in the State with a number of functions. The government organised a public meeting on the day with the Minister of Education as president. Coming close on the renewal of the Arab-Israel War, the occasion was used to renew the United Nations pledge to strengthen the forces of peace both within the Country and the World and to work for raising the levels of living of the poor majority in this and other developing countries. The Madras Station of All India Radio organised a youth forum discussion on the United Nations achievements and problems and broadcast an analysis in Tamil of the issues facing the Organisation. All high schools and colleges in the State held discussions, contests and seminars on the United Nations during the week. The United Nations has firm friends and adherents in the State.

Third meeting of Heads of Social Science Departments of Southern Universities:

The invitation to the meeting has been accepted by the following Heads of Departments:

1.	Dr. V. Shanmugasundaram	Economics	Madras University
2.	Dr. T. E. Shanmugam	Psychology	,,
3.	Dr. C. T. Kurien	Economics	Madras Christian College
4.	Dr. M. Abel	Political Science	,,
5.	Miss Gajalakshmi	Economics	Madurai University
6.	Dr. N. Subramanian	History	,,
7.	Dr. Ramaswami	Economics	Annamalai University
8.	Dr. E. T. Mathew	Economics	Kerala University
9.	Dr. G. Ramachandran Raj	Management	Kerala University
10.	Dr. M. V. Pyle	Management	Calicut University
11.	Dr. P. N. Rajendraprasad	Commerce	Cochin University
12.	Dr. Selvaraja	Politics	Bangalore University
13.	Mr. C. Rajagopalan	Sociology	,,
14.	Dr. Huchappa	Economics	Mysore University
15.	Dr. C. Parvathiamma	Sociology	,,
16.	Dr. T. K. Meti	Economics	Karnatak University
17.	Dr. Gopal Sarana	Anthropology	,,
18.	Dr. G. Mathur	Economics	Osmania University
19.	Dr. Manzoor Alam	Geography	,,
20.	Dr. B. Sarveswara Rao	Economics	Andhra University
21.	Dr. Chandrasekhar Rao	Politics	,,
22.	Dr. D. L. Narayana	Economics	Sri Venkateswara University
23.	Dr. N. Balakrishna Reddy	Geography	,,
24.	Dr. V. Rajagopalan	Economics	Tamil Nadu Agricultural University
25.	Dr. V. Anantharaman	Economics	Indian Institute of Technology
26.	Dr. V. Krishnamurti	Economics	Gandhigram Rural Institute
27.	Dr. Kulandaivelu	Education	Ramakrishna Mission Vidyalaya
28.	Dr. E. G. Parameshwaran	Sociology	Regional Centre, Hyderabad.
29.	Mr. J. P. Naik	Education	ICSSR, New Delhi

Each participant has submitted a paper on the research problems and prospects in his department, and some have also submitted papers on the incorporation of research methodology courses in Post M.A. studies and the work being done on text book materials. A paper on an inter-disciplinary research methodology seminar in the summer of 1974 by Dr. Malcolm S. Adiseshiah and a paper setting forth the follow up actions needed by social scientists in the Southern Universities on the ICSSR Review Committee report by Prof. M. Abel, the member-secretary, have also been received and circulated to the participants.

Fourth Meeting of the Advisory Committee of MIDS:

The Fourth meeting of the Advisory Committee of the Madras Institute of Development Studies is to be held on Monday November 24 at 10.30 a.m. in the

seminar room of the Institute. The meeting will review the activities of the Institute in 1973 as set forth in the progress report by Director and review the programme proposed for 1974.

November Development Seminar:

The paper for the November Development Seminar, Small Industries in Tamil Nadu, by Mr. T. V. Natarajan with a summary of the discussion at the Seminar on the paper, chaired by Prof. S. Ramanathan, Deputy Director (Projects), Madras Institute of Development Studies. appears as the first article in this issue.

Second Article:

The recommendation of the Round Table of Economists, Bombay, An Alternative Strategy for the Hour, appears as second article.

Special Issue Section:

The Special section of this issue of the Bulletin contains (a) A Summary of the ICSSR Review Committee report (b) 4 selected papers from the Seminar for Economics Research Guides and Supervisors (c) A report and Selected papers from the seminar on Plan Implementation..

"SMALL SCALE INDUSTRIES"

By

SRI T. V. NATARAJAN

Management Consultant, Madras.

" SMALL SCALE INDUSTRY CALLS FOR LARGE SCALE ENDEAVOUR "

INTRODUCTION:

Small Scale Industry (SSI—this abbreviation is used to represent small scale industrialists also) is an integral part of industry as a whole and the latter in turn is an important segment of our economy. Systematic development of Small Industries started only in the second five-year plan. The progres of Small Industries in Tamil Nadu can be measured by the following table which gives the investment, production and employment in this sector during the last decade.

Year	*Number of units*	*Assumed Investment* Rs.	*Assumed Production* Rs.	*Labour employment*
1960-61	3,000	20 Cr	75 Cr	80,000
1966-67	10,000	65 Cr	250 Cr	2 lakhs
1971-72	26,000	100 Cr	400 Cr	4 lakh

Definition:

A Small Scale Unit is defined as one in which the investment in machinery and equipment does not exceed Rs. 7.5 lakhs. The value of land and building and working capital is not taken into consideration for the purpose of this definition. In the case of Ancillary Units i.e. those enterprises which supply parts, components or sub-assemblies to a Large Scale Unit, the limit of investment in machinery and equipment is raised to Rs. 10 lakhs.

The Small Industries programme does not include those industries which come under the purview of other organisations connected with the development of Handlooms and Powerlooms, Khadi and Village Industries, Handicrafts, Coir, Silk etc.

PERSPECTIVE PLAN:

Since small industries are closely connected with large and medium industries the 12 year perspective plan for our State in respect of all industries is given below:

Large and Medium Industries:

The important projects and developments envisaged are: the Salem Steel Plant, and Amonium Chloride Plant, a Refinery Unit, a Soda Ash Plant, a Naphtha Cracker Plant; the S.P.I.C. at Tuticorin, expansion of the Arkonam Concast Plant and the Alangulam Cement Plant, a Tyre manufacturing Plant, and ancillary units to Salem Steel Plant and Manali Petrochemical complex. Besides these, units for the manufacture of cement, paper, synthetic fibre, aluminium, automobiles, auto an-

cillaries and sugar are contemplated. Modernisation of textile mills, setting up power looms and processing units for textiles are other schemes envisaged.

(Earlier this year the seminar had discussed the paper prepared by Prof. S. Sampath on the 'Perspective Plan for Industries'.)

Village and Small Industries :

Apart from the traditional Small Industries and Handicrafts, the following are to be developed; Sericulture, manufacture of industrial felt of goat's hair, glycerine out of edible oil, starch out of tamarind seeds, activated carbon from coconut shell, industrial and domestic products out of palmyrah fibre, manufacture of straw boards and hard boards, fruit preservation and canning of fruit products, cotton seed oil and "Agar-Agar" from sea weeds. Also, such items as electrical laminations, paint-drier alchohol, plastics, leather and rubber goods, caffeine from tea waste, chromium plating, glass containers, ceramic refractories, manufacture of motor gears, controls, relays starters etc. cables and winding wires, electric motor and pumps, fans, heaters and accessories, electronic instruments and equipments including radios and television are contemplated.

RECOMMENDATIONS OF THE TASK FORCE:

This is given in chapter 11 pages 121 to 140. These recommendations cover the following points :

(a) Finance
(b) Raw Materials
(c) Infrastructure Facilities
(d) Ancillary Development and Sub-Contracting
(e) Marketing quality control and Reservation
(f) Sericulture
(g) Leather and Leather Products
(h) Industrial Co-operatives.

Since there are a large number of recommendations, no attempt has been made to summarise them here.

Aim :

The aim of this paper is to analyse the task force report on Small Industries and offer constructive criticism keeping in mind the trends and developments in the SSI sector and the hopes and despairs of a large number of small scale industrialists. I have taken into consideration the comments of competent critics on the Task Force Report and the points omitted therefrom.

Financial projections for the Fifth and Sixth Plans (Chapter 12)

The objective of the Fifth Plan is to double the performance compared to the Fourth Plan i.e. increase the number of units to 50,000 and number employed to 8 lakhs. Regarding the Sixth Plan, what is visualised by the planners is given below :

The further development of the SSI, in this Country, particularly in Tamil Nadu, in the Sixth and subsequent plan periods may come about in an unexpected manner. It may even be necessary to discard some of the old concepts as the new pattern of growth may have to be on the lines of Japan and United States of America, though the small-scale units in India have vaster scope for proliferation and diversification. A new pattern may emerge which may have special characteristics as well as the familiar features noticeable in some of the developed countries. It may, therefore, be necessary to think on bold lines in 1979-84 and the actual State outlay may be much more than Rs. 40 crores now

visualised (preferably doubled). As the forces of self-generating growth will be in operation after sometime, there should be flexibility in planning adjustment as the financial resources aspect may present many formidable hurdles with increasing monetisation of the economy and the successful functionings of different special agencies.

It may seem that the Fifth Plan is a simple arithmetic operation and the Sixth Plan is an exercise in fantasy. Let us hope that the actual plan document will have more realism and precision.

Institutional Assistance :

Assistance from the following institutions are available for SSI.

(a) Tamil Nadu Small Industries Development Corporation Ltd.,

(b) Small Industries Service Institute,

(c) National Small Industries Corporation Ltd.,

(d) Tamil Nadu Industrial Investment Corporation,

(e) State Bank of India and other Nationalised Banks.

While it is necessary to institutionalise the various arrangements required for the development of SSI, it must be ensured that there is proper control and co-ordination of the various organisations. Otherwise they work at cross purposes or they may not individually know what the others are doing. Again the people manning these organisations must be practical and adopt a sympathetic approach. There is a widespread feeling that the outlay on the various institutions is not commensurate with their performance.

Composition of the Task Force and Working Groups :

There is a feeling that these two groups should not have included so many large scale industrialists and bureaucrats. Not that these men are not competent but a larger doze of really small Small Scale Industrialists would have imparted greater pragmatism to the proposals.

Sanctity about the word "Small" :

The word "small" whether in connection with 'small farmers' or 'small merchants' or 'small industrialists', receives so much sympathetic attention from our rulers that many persons wish to stay under its protective umbrella as long as possible. In our national interest there should be a time limit, say two to three years after which a small industrialist must learn to live without continuous State support and assistance.

Upper Limit of 7.5 Lakhs :

Many SSI organisations are trying to raise the upper limit of 7.5 lakhs to 10 lakhs. Whilst this by itself may not be very objectionable it does tend to focus attention on the wrong end of the scale. Let us remember that for every SSI in the region of Rs. 50,000 — 1,00,000, there are 200 SSIs in the region of 5,000 and below. Since the aim of planning is to do the greatest good to the greatest number it is necessary to ensure that a large number of people get some benefit before some people get all the benefits.

Finance :

One of the major recommendations [(para 4.1(b)] pertains to the establishment of 'technical consultancy cell' by the nationalised banks. It is interesting to state that during the early years of nationalisation some leading manufacturers of plant and machinery took advantage of the ignorance of bank officials and prepared standard feasibility/project reports. Thus they made sure that their clients got the loan and the latter in turn

were forced to buy the plant and machinery from the manufacturers who helped them with the necessary report. This was certainly an unfair trade practice but owing to the peculiar circumstances mentioned above brought huge profits to some companies.

Foreign Exchange :

Quite a few genuine small industrialists suffer hardship and agony trying to get a small amount of foreign exchange for certain spare parts or critical raw materials. At the same time the foreign exchange allotted to several SIs are misused. Speaking in a seminar on Small Industries Mr. C. N. Raghavan, Former Director of Industries and Commerce said, "Was it not common knowledge that a good percentage of foreign exchange allotted to the small sector was abused? Many firms were only on paper while in other cases the demand was highly exaggerated. Under these circumstances an expeditious disposal was very difficult. It had therefore to be a time consuming process." * Here again the remedy is vigilance and summary punishment.

Package Deals:

While nationalised banks have done a great deal for fostering small industries, a lot more remains to be done. Finance is important but what is really required is a package deal. Recently Indian Bank has taken the lead in initiating a specific scheme for this.

Growth:

It should be borne in mind that the Small Industries give the banks no profit. On the contrary substantial losses are incurred. The State Bank of India incurs a loss of 1.5 crores on this account. Speaking in the same seminar Mr. Talwar, Chairman, State Bank of India stated "We do not feel sorry about having to lend to a sector which results in losses. I'm really happy about the continued demand for credit from this sector. We continue lending to small industrialists not minding the losses involved in these transactions because we expect them to grow into bigger units and give us profitable business." Unfortunately Mr. Talwar's hopes will remain unfulfilled due to the general apathy amongst small industrialists.

Marketing:

This is another big hurdle for most small industrialists. Let me quote Sri Mahalingam: "The marketing of finished goods is posing an acute problem to the sector. Because of its poor capacity to hold stocks indefinitely the output of the small industries could not be marked profitably. What is more this sector faces acute competition from similar modernised and mass produced items of the large scale sector."

The remedy suggested in para A1 is given below:

"A separate marketing organisation for the small-scale units has to be set up to relieve the financial burden initially by taking the finished products and then marketing them to the ultimate consumer. The organisation will also arrange to market similar products of groups of units under one 'common brand name' for which the cost will be initially paid by this organisation."

The above recommendation looks attractive but when analysed bristles with a lot of implementation problems.

The present development commissioner SSI (Government of India) mentioned a few months back that market intelligence

* Industrial Economist

is being organised to locate the market for SSI products. Other incentives like reservation of certain items for exclusive manufacture in small industrial sector, special financial incentives in purchase by government and public sector undertakings can go a long way to help the marketing of goods in the small industries sector. For success these schemes must be executed with sufficient enthusiasm.

Research and Development :

A Seminar held in Delhi early this year highlighted the lack of research in the SI sector. Unless the benefits of research and development are available to small industrialists they cannot produce quality goods at competitive prices. The R & D efforts financed by Government have only helped the large and medium industries. Just as we took the green revolution to the villages, we should take the practical results of R & D to the various small scale industrial centres in India. This will help them to adopt modern technology with its concomitant benefits.

Raw Material :

For the last two years thousands of small industrialists are finding it extremely difficult to obtain even the minimum quota of items like steel, polypropelene etc. In order to ensure that production goes on without interruption, the task force has recommended the setting up of a raw material bank to handle essential scarce material. This is a good recommendation, which should be implemented without any delay. In respect of imported items the task force wants SIDCO to be given a blanket import licence so that the latter can set up a bank termed as 'import raw material bank'. Again to minimise misuse, the task force wants this bank to take back the finished products. This recommendation if implemented will certainly cause a great deal of delay and hindrance to genuine SSIs who form the majority.

Census:

There is lack of information in respect of small industries. Since Planning is possible only on the basis of correct facts and figures the Government of India has commissioned the first ever countrywide census of small industries to collect data relating to the capacity production, investment, employment, consumption of power and raw materials and borrowings. The findings of their census should help us to assess whether there have been serious inadequacies in the availability of raw materials, financial resources and electrical energy as had been frequently complained by the small enterpreneurs. Statistical details relating to this will enable us to assess the dimension of idle capacity in every unit and show the right method to utilise this capacity.

Entrepreneurs :

We hear a lot about these people but meet very few of them. Entrepreneur must have two major qualites, viz., innovation and risk taking. As this is rather rare in our society we don't find very many entrepreneurs. Whilst entrepreneurs are generally born, an attempt should be made in our schools and colleges to train enterpreneurs by inculcating the qualities of initiative and risk taking.

Industrial Estate

Tamil Nadu has done well in this area but people who benefit by this scheme adopt a selfish attitude. As industrial estate accommodation is subsidised this should be used only in the initial period and once a unit is well set, it should vacate the accommodation so that a new unit can take shape.

Ancillaries

Most of the large and medium industries have not taken sufficient interest in the growth of ancillaries. On a critical analysis it will be seen that what has come up so far are really joint family ancillary projects. Public sector undertakings must ensure that the planning and development of ancillaries go hand in hand with the major projects.

Hon'ble Sri S. Madhavan, Minister for Industries, who has introduced many good schemes has already stressed the need for the proper planning of ancillaries around the Salem Steel Complex.

Administrative Reforms

The report stresses the need for a single agency with a specific time limit to process all new applications for starting small industries. The State Government referred this matter to the ARC (Administrative Reforms Commission). The summary of recommendations by ARC is in appendix A attached. I have discussed these recommendations with several affected parties and they feel that these recommendations will not remove all the obstacles for the reasons given below.

"The ARC has recommended that the Assistant Director of Industries at the District Headquarters should function more or less like a post office for the whole district, by receiving the applications from the new entrepreneurs and re-directing them to various departments for approval and clearance. After getting the approved plans the same should be sent to the local bodies for the issue of final licence. At present, the entrepreneur in a rural area submits the application to the local panchayat board, which redirects the same to the different departments. As per the recommendations, the entrepreneur has to travel to the headquarters for submission of applications and often visit it again for further clarifications. Thus, instead of reducing the number of departments for processing, the report has recommended one more department. The Assistant Director of Industries has been already overburdened with various other activities. Hence to expect him to discharge this new responsibility efficiently is unrealistic".

Industrial Training Institutes

In the early years the I.T.Is did a good job and people trained in these institutes found employment without any difficulty. But in recent years the quality of training has deteriorated which in turn means that the standard of people passing out is poor. Also there is no integrated plan to find suitable employment to train people. An attempt is now being made to co-relate the training imparted in the various ITIs to the special needs of the area. But this will succed only if leading Small Industrialists, SSI Associations, Labour Leaders and Officials of Industries Departments take greater interest in the general problems of the area. There is also a need for co-operation and co-ordination, between the various parties mentioned above.

Testing Facilities

The government have established facilities and spend huge sums on this. Nevertheless small industrialists are reluctant to make use of this facility because they are not happy with the method of work adopted in these places. The charges are also considered high.

Industrial Co-operatives :

Unfortunately there is lack of co-operation is most industrial co-operative societies. Members use the society during their adversity but don't hesitate to compete with their own society when it suits them.

This is of course, a national malady but nevertheless it should be possible to induce co-operation by various common incentive schemes.

A large number of private sector companies are known to adopt unscrupulous practices such as, over-invoicing, dodging sales tax, hoarding and black marketing. Industrial co-operatives, on the other hand, being subject to government control, naturally cannot pursue such practices and hence are at a disadvantage in competing with the private sector. This aspect needs free and frank discussion at the highest level and ways have to be found to hold in check such trade practices which affect the growth of industrial co-operatives.

Ex-servicemen :

Every year thousands of service personnel of various ranks return to civil life. These people by virtue of their training and experience possess several good qualities. A major effort should be made to mobilise these ex-servicemen for nation building activities particularly in the SSI sector. By doing this we not only resettle ex-servicemen but organise the SSI sector on a sound basis.

CONCLUSION :

The following quotation from the Hindu dated May 30, 1973 under the caption " Small Industries and Big Gaps " sums up the position succinctly. " By and large, the small scale sector has to be complementary to the organised sector. The concept of ancillaries around a unit of the organised sector acting as its feeders is as old as the Second Plan period. But up to now, the development of ancillaries of this type has not been well planned. There is still unhealthy competition between the small scale and the organised sectors. Even the Government's scheme of developing ancillaries around giant public sector undertakings has not met with much success ; While in certain lines of production like electronic and electrical equipment the small factories have aquitted themselves creditably, in many others they have fared badly for lack of marketing and managerial facilities besides deficiencies of workshop and laboratory facilities and the absence of guidance in the use of improved designs of machinery and products. These shortcomings require to be rectified expeditiously if the small industries are to deliver the goods. "

Many people feel that our main problem is population, and yet there are others who feel that the same factor i.e. human resources should be considered as our greatest asset and we should make the maximum use of it. Agriculture can absorb only a limited number of people and many of them will be under-employed for several months in a year. Hence it is necessary that we evolve a programme which will provide gainful occupation to all those who wish to work. It is here that small scale industries can come to our rescue.

We have failed to heed the voice of the Mahatma who asked us to adopt the 14 point constructive programme for village uplift. It may not be possible for us to go back to Gandhism now. But an attempt should be made to achieve a synthesis between Gandhiji's 14 point programme and the development of modern small scale industries. Only then, it will be possible to improve our rural economic condition and achieve peace and happiness which is the goal of all planning.

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Summary of Discussion

In the discussion of the paper at the seminar in the seminar room of the Institute on Thursday, 29th November, the chairman Prof. S. Ramanathan, Joint Director (Projects), Madras Institute of Development Studies, pointed out that the government of India formulated the programme for development of Small Scale Industries during the second Five Year Plan. A small industry—according to the defintion established by the village and small Industries Committee, generally known as the Karve Committee—is an Industrial unit with a maximum investment of Rs. 7.5 lakhs in plant and machinery, excluding land, buildings and working capital. The paper summarised the study carried out by the Task Force on Small Industries of the Tamil Nadu State Planning Commission and made a critical assessment of its recommendations. The main objective of the Fifth Five Year Plan is to double the number of Small Scale Units functioning in the State—the number of units in 1971-72 being 26,000. Evaluation of viability of projects by an expert technical group should be a necessary precondition for financing of small scale units by Nationalised Banks. Special attention to the needs of this section is called for in the areas of extension of R & D facilities, marketing problems, standardisation to name a few.

During the comments on the paper, it was stated that the Karve Committee's report has led to policies which in the long run had isolated the Small Industries from the medium and large scale establishments. The small industries could be classified as independent, ancilliary and competitive. The assumption that this section would provide scope for large scale employment in the rural areas is not supported by available data. As registration of these units is voluntary and as large numbers remain unregistered any computation of statical data is largely guess work, particularly with reference to the assumed rate of growth of 6.4% the volume of employment generated and the capital output ratio of 1 : 4. A serious constraint which affected this sector was the fluctuating availability of power, which in some cases even led to the closure of the units. These short comings are likely to create difficulties and make an uncertain base for projected plan targets.

The importance of the sector is in the fact it will meet two of the major objectives of the Fifth Plan. Firstly, the small industries will create employment oriented activities. Secondly, the wider spread of ownership of factors of production will mean progress towards the achievement of social justice. In view of the fact that

there are estimated 1,20,000 new entrants to the employment market every week, next to agriculture the small scale sector holds the greatest promise for finding them jobs. The kirloskar study of 500 small industries carried out in Maharashtra estimates that an investment of Rs. 2,000/- Rs. 6,000/- can provide employment for one worker. In this context the aim of doubling the number of small scale units in the Fifth Plan is a sound one. In this connection the study of small entrepreneurs in Madurai by the Gandhigram rural Institute was cited. Some of its conclusions regarding the problems faced by this group and reasons adduced with reference to idle capacity and low levels of production required further investigation. The view was expressed that the small scale industries were of useful basis for the training of entrepreneurs.

It was an interesting pointer that the IIT could not locate even 5 or 6 of its graduates as entrepreneurs in this area. An important handicap for the small entrepreneur seemed to be the involved and time consuming bureaucratic procedures required for establishing a new unit. An observation was made that the successful entrepreneurs were not necessarily highly qualified technologists, but persons with considerable experience in the field. It was possible that the highly qualified IIT graduates' services could be better utilised in areas where sophisticated knowledge was necessary.

While the large and medium industries were beginning to utilise R & D consultancy services, it was not clear why the small scale industries were not making use of the facilities available for testing, product development etc. A possible reason for this lack of utilisation was the feeling that the Research Institutes and Laboratories were not sufficiently appraised of the problems and needs of the small industries. A successful liaison between a large industry and a group of small industries was the Indian Telephones Bangalore and the group of small units in the area serving it. The need for utilisation of available R & D facilities by this sector was imperative to achieve its full potential growth.

While governments' policy for providing special facilities for small units in Industrial Estates was generally commended it felt that once a small unit was firmly established it could give place to a needier one and encourage fresh enterprise. Attention was also drawn to the fact that larger industries had established small units in these estates, which with their assistance and guidance became feeder units. The Kirloskar studies regarding the ratio of capital and labour were not supported by the projections shown in the Task Force statistics of capital investment and employment.

There was general agreement on the importance of this sector, the necessity for more reliable data and the need for simplification of procedure for establishment of small scale industrial units as recommended by the Administrative Reforms Commission. The desirable future directions were the need to make systematic use of R & D facilities available and improved co-ordination with the medium and large scale industries.

AN ALTERNATE STRATEGY FOR THE HOUR §

Introduction :

The country has been passing through a severe economic crisis, perhaps the worst since independence. The process of economic growth has virtually ground to a halt. Industrial production remains stagnant. The flow of fresh investment has almost dried up. Last year's severe drought has once again dramatised the country's utter vulnerability to the tyranny of nature. The critical shortage of key consumption goods and industrial raw materials has given rise to a flourishing black market. Brave talks notwithstanding an acute foreign exchange crisis looms large. Inflationary pressures have reached such high pitch of intensity that its containment has become imperative.

Two decades of developmental planning has only made a small dent in the poverty of the masses. The limited studies carried out indeed reveal that over the planning period the condition of the poorest sections has deteriorated. If anything, income inequalities had become aggravated and the numbers of the poor are greater now than ever before, particularly in the rural sector. Dandekar and Rath have disclosed in their book 'Poverty in India' that the percentage of rural population below the poverty line has risen from 33% in 1960-61 to 40% in 1970–71. The Planning Commission has itself conceded that over 45% of the country's population had yet to secure even the barest means of subsistence.

The time has come to critically re-examine our develpmental strategy. We must urgently ask ourselves what kind of changes in the plan priorities and programmes are necessary to correct the imbalances that have crept into the economy and put the country back on the rails of economic growth. It was to this question that the group of distinguished academic and business economists addressed themselves at the G. D. Somani Round Table Seminar.

The seminar was of the view that the crisis confronting the country could be largely ascribed to the relatively greater preoccupation of the plans with macro targets of economic growth to the exclusion of its distributive and employment implications. The production pattern fostered by the plans was not geared to meeting the basic needs of the vast majority of the population. It was presumed that the growth of GNP would automatically lead to eradication of poverty, a thesis which has not been borne out by our experience. While the failure of the growth rate to match the perspec-

§ Recommendation of the Round Table of Economists Meeting in Bombay October 12-14 comprising Dr. Malcolm S. Adiseshiah, Director, Madras Institute of Development Studies, Madras (Chairman), Mr. S. Venu, Indian Tobacco Company Limited, Calcutta, Mr. K. L. Bagal, The ICICI Limited, Bombay, Mr. Minoo Shroff, Finance Consultant, Bombay, Dr. D. T. Lakdawala, Director, Department of Economics, University of Bombay, Bombay, Dr. F. A. Mehta, Tata Group of Industries, Bombay, Dr. A. C. Shah, Economic Adviser, Bank of Baroda, Central Office, Bombay, Prof. M. L. Dantwala, Professor of Agricultural Economics, Bombay University, Bombay, Dr. P. R. Brahmanand, Professor of Monetary Economics, University of Bombay, Bombay and Mr. D. R. Pendse, Economic Adviser, Tata Group of Industries, Bombay.

tive target is no doubt partially to blame for this, it cannot wholly explain the accentuation of poverty. The Fifth Plan undoubtedly marks a departure from the earlier plans in that; it explicitly adumbrates poverty eradication as a major goal. Unfortunately, however, the concern for eradicating poverty has not been given *operational recognition in the priorities* and the programmes that have been envisaged.

The participants reiterated that poverty eradication should be the major goal of economic policy. They, however, expressed their apprehension that the strategy implied in the Fifth Plan Approach Document may be inappropriate, unsuitable and inconsistent with the goal laid down therein.

It was pointed out that the acceptance of poverty eradication as the central goal of economic policy had its own distinct logic. The priorities relevant to such a goal were quite different from those seeking exclusively to promote economic growth. For this purpose, it was necessary to redefine economic growth in terms of population and the quality of life. What was relevant was not the size of the gross national product but its composition.

Basic Strategy:

The task of eliminating poverty was primarily one of ensuring to the mass of population the means of gainful employment together with the provision of adequate mass consumption goods. To this end it would be necessary to evolve an integrated system of employment, production and distribution specifically aimed at raising the standards of living of the poorest sections of the population and in promoting a more equitable social order.

The structural changes on which the achievement of this goal is contingent cannot be engendered overnight. In the interim period, the seminar felt, economic policy should concentrate on mitigating the conditions of the totally destitute and narrowing down income and consumption inequalities to the extent possible.

The eradication of poverty would necessitate a change in the *pattern of* production in favour of basic consumption goods and services and a phased withdrawal from such areas of heavy industry that did not have a direct bearing on this. The logical corollary was that production of some goods would have to be sharply stepped up by maximising capacity utilisation and even channelling fresh investment into their enhanced production while the increase in the output of certain other goods would need to be slowed down. Broadly, the items whose production would have to be augmented would be foot articles, controlled cloth, mass housing materials and related intermediate and capital goods. Collective goods like mass transport and power generation systems should have definite *priority over superfine textiles*, luxury goods like consumer durables, automobiles etc. The Seminar reiterates that such a reordering of priorities would not lead to any slackening of the growth rate.

It was pointed out that the Planning Commission had in fact identified the areas of industry which were critical to the eradication of poverty. It had demonstrated that many of the heavy industries which had hitherto enjoyed very high priority had little to contribute towards the goal. For some inexplicable reason the planners had failed to incorporate these findings into the Fifth Plan strategy which persists with the misplaced emphasis on heavy industry. The seminar was in broad agreement with the Planning Commission's *classification of industries* relevant to poverty eradication and urged that

these should be reflected in the industrial strategy of the Fifth Plan.

Employment :

It was pointedly stressed that the maximisation of the production of mass consumption goods would not in itself result in the eradication of poverty. Employment was really the lynch-pin of any poverty eradication programme. It is vital that the production was organised in such a fashion as to maximise employment and thus strengthen the purchasing power of the masses. The mere doubling of the production of cloth for instance was not necessarily calculated to maximise employment or reduce poverty. Conscious efforts had to be made to match production and employment with a view to optimising both, Where a particular item was produced and by whom was as important as how much of it was produced.

The seminar was of the view that for the furtherance of this goal we should aim at a decentralised economic system with emphasis on efficiency and appropriate technology. This would facilitate the equitable distribution of the fruits of development.

In underlining the need to evolve an appropriate form of technology the seminar commended the Chinese example where there was a co-existence of higher, intermediate and lower technologies. The form of technology adopted, it was pointed out, would necessarily have to be different in each case but the objective would be to maximise employment potential without compromising too much on efficiency and productivity. The seminar regretted the fact that no conscious attempt has been made so far to develop intermediate forms of technology suitable to our industrial structure. The participants were unanimous in the view that the country should shed its obsession with the sophisticated technologies imported from abroad which besides being highly capital intensive adversely affected the balance of payments position and dampened indigenous research in several areas.

Distribution :

The problem of poverty had to be attacked not only from the production end but also from the distribution angle. The fruits of growth over the two decades of planning had gone in disproportionate measure to the better off sections of the society. The poverty programme involved a redistribution of incomes. There had to be a transfer of resources from the non-priority industries to the priority industries and a transfer of purchasing power from the affluent to the poor. Professor Dandekar and Rath have demonstrated in their book "The Poverty of India" that even a transfer of 10% of the income of the top 20% to the bottom 30% would considerably relieve the destitution of the latter. The seminar felt very strongly that the better off sections should display a greater sense of social responsibility. Attempts also had to be made to divorce reward from effort. A poor country like India could not afford a system of high rewards. In any case economic returns were not related solely to the individual's input but was also a function of the over-all economic structure. There was in fact a rentier element in the incomes of the professional and managerial classes.

The seminar was particularly concerned about the attitude of some sections of organised labour, who seemed to be preoccupied solely with self-aggrandisement without any thought to the vast numbers of the rural poor or even unorganised urban labour, thus pre-empting resources which could be utilised for poverty eradication. It was mooted that

the feasibility of a poverty eradication tax on business profits, managerial remuneration and organised labour should be investigated as a means of effecting a transfer of resources to the under-privileged sections of the Society. In general, concerted policies and policy instruments needed to to be designed to narrow the differences between the poor on the one hand and the affluent, professional and the managerial classes as also a section of the organised labour on the other.

Agriculture :

Food is the most important element in the consumption basket related to the poverty eradication programme. We have to be reconciled to the fact that there will be a shortage of food for quite some time to come, especially as the family planning programme has not yet made any worthwhile impact. Efforts to increase agricultural production through the wider diffusion of chemical and biological innovations must, therefore, be accorded topmost priority.

The participants noted that a limited technological breakthrough has been achieved in certain areas of agricultural production through the instrumentality of high yielding varieties and associated technologies. However, the utility of this was limited as it had been confined to tracts which had assured irrigation facilities. Besides only wheat has benefited by the green revolution.

The vast majority of the cropped area is still rain-fed. Only 23 per cent of the cropped area now enjoyed irrigation facilities. Agricultural production consequently remained very much a gamble in the monsoons. The seminar suggested a two-pronged strategy. While it urged that irrigation facilities should be expanded primarily through the promotion of minor irrigation works, it deplored the fact that the available water resources were being wastefully and irrationally used. It emphasised the importance of harnessing the supply of underground water resources, the potential for which was immense. Some kind of social control over water resources was considered desirable to secure their optimum utilisation.

To the extent that vast areas in the country did not enjoy irrigational facilities, these were not in a position to reap the benefits accruing from the technological advancement. In the light of this, the seminar felt that intensive research into and application of dry farming techniques was a matter of great urgency and should be the principal element in the agricultural strategy of the poverty eradication programme.

The seminar expressed the apprehension that agricultural production may not be able to keep pace with the growth of population unless research and development efforts were intensified to extend the green revolution to coarse grains, pulses, oilseeds and cotton, which had not participated in the technological break-through.

The efforts to increase agricultural production had to be accompanied by an improvement in the post-harvest technology. A significant portion of agricultural production, estimated at as high as 20%, was lost due to poor harvesting practices and inefficient handling and storage. Provision had to be made for the necessary investment for the expansion of proper storage distribution and preservation facilities.

On the question of agricultural credit the seminar felt that the financing institutions should dilute their insistence on viability. In as diverse a country as India it was difficult, if not impossible, to draw up a rigid criteria for viability. In any case viability should be considered rela-

tively less important from the point of view of poverty eradication. The seminar suggested that instead of thinking of viability various other more liberal norms should be adopted as the basis for farm credit. It should be short-sighted to view agriculture merely as a source of food and raw materials. The fact that agriculture accounts for over 70% of the total employment in the economy could not be overlooked in framing the strategy for the sector's development. The strategy for agricultural development must simultaneousy with boosting production seek to maximise opportunities for gainful employment. One had to accept the painful fact that a large portion of the employment in the agricultural sector was at present redundant and unproductive as also acknowledge the limited capacity of the sector to absorb even the existing surplus labour force. To a large extent this surplus labour, which is fast growing, had to find employment in rural sector itself. This could be substantially accomplished only if land is abandoned as the sole basis. The potential of allied occupations like dairy farming, animal husbandry, forestry and inland fisheries had not been adequately investigated and which could be capable of absorbing a fair portion of surplus labour.

The agricultural sector was not a homogenous entity. The problems of agricultural labour, the tribal population and the small and marginal farmers vary considerably. Nor was it possible to evolve or plan for a standardised agriculture strategy on account of the wide differences in the climatic conditions, irrigational facilities and institutional structures.

The participants therefore felt that a disaggregated approach had to be adopted to agricultural production strategy. It was not enough to know the number of people who are poor, unemployed or under-employed. It was equally important to know who they were and where they were, in relation to rural development. This would mean an area approach involving planning, resource mobilisation, education, training and institutional support at the grass-roots level.

Till self-sufficiency has achieved in agricultural production, the equitable distribution of the available supplies year by year was very important. Shortfalls in agricultural production which were unfortunately a perennial part of the Indian agricultural scene, brought in their wake sharp differences in prices which hit the poverty sector the worst. The need to strengthen and expand the public distribution network could not, therefore, be over-emphasised, to assure supplies of essential commodities to the vulnerable sections. While at present the public distribution system worked in a reasonably efficient manner in urban areas, it was virtually non-existent in the rural areas. This was very unfortunate as more than 50% of the rural households were nett purchasers of food and as such the extension of the public distribution network to the rural sector assumed importance.

As a logical corollary of the proposal to strengthen the public distribution system, compulsory procurement was inescapable. A graded producers' levy on surplus farmers was the best possible means of garnering sufficient stocks of food for the public distribution system without resort to a public subsidy.

Maintenance of price stability in respect of essential farm goods should also form a key element of the agricultural strategy. It was pointed out that physical and price controls were not an answer to the problen of run-away prices as in the context of recurring shortages they only encouraged black marketing. The better alternative would be to build up buffer stocks of

essential commodities at appropriate levels over a number of years, through the judicious management of which price stability could be ensured. On the subject of mechanisation, the seminar suggested a very selective and cautious approach. It was felt that mechanisation was improvident from a social angle in the context of large unemployment and under-employment and could be justified only to the extent that it reduced cost of production and consequently prices.

Industrial Strategy :

Priorities in industry also needed to be reviewed to make them conform to the imperatives of the suggested programme. While the main thrust would be in favour of the expansion of the production of basic mass consumption goods a balancing increase in the manufacture of some important basic goods like controlled cloth, cement, petroleum, fertilizers, paper, etc. which had an important bearing thereon would also have to be stepped up. At the same time, production in areas which were unrelated to the programme should be allowed to be increased only to the extent dictated by the need to maximise capacity utilisation and develop exportable surpluses.

Having detrmined the pattern of industrial production, it could not be too strongly emphasised that given the long gestation periods of most industrial projects, it would be years before any substantial increases in output could be secured in response to increased investment. We should, therefore, seek to reach the fullest level of utilisation of installed capacity. Nowhere would this be more essential or the rewards greater than in the case of infrastructure industries such as thermal power stations, railways, etc. which have a tremendous multiplier effect.

Secondly, in regard to industries which had been assigned high priority in terms of the poverty programme, immediate expansion of capacity must be permitted. The industrial licensing policy required to be reviewed so that constraints on the setting up of fresh capacity in these areas were reduced to a minimum. In the area of priority industries, years may elapse before new investment results in increased production. Such increases as could be achieved with the minimum of balancing equipment would, therefore, have to be secured urgently even if it entailed selective imports of capital equipments and components, especially where delivery periods for indigenous equipment was protracted. A number of steps would also be necessary to attract fresh investment in this area and break the stagnation of the last three to four years. The blanket ban on large houses and foreign majority companies is unnecessary. The fact had to be faced that by and large they had the requisite financial, technical and managerial resources to undertake the task. Indeed, consequent on the Government's reluctance to allow them either to expand or start new ventures substantial funds remained locked up within this segment of industry. This was obvious from the fact that while on an average the annual rate of growth of net worth in the case of some large companies was as high as 9 to 10 per cent, their gross capital formation had lagged far behind. The Government might stipulate (as urged by the Monopolies Commission) that the issue of a licence would be conditional to these units being more professionally managed. In any case these can play an important role in the desired expansion of goods of mass consumption. All those who are willing and have the resources must be allowed to start new ventures or expand existing units provided the proposals are in conformity with the new priorities to be drawn up.

One of the contributory factors to the slow growth of fresh investment in vital areas like steel, controlled cloth, newsprint, cement, paper, etc. has been the unremunerative price structure allowed. The seminar reiterated that economic rates of return should be allowed not only to stimulate additional investment in production facilities but also to curb the flourishing black market which had emerged consequent on the shortage. Till such time as production builds up, it was felt that the distribution of principal intermediate goods listed above should be rationalised. For instance, there is no reason why cement should be available at the same rate to, say a luxury hotel and a fertizer factory. The seminar was of the view that it would be desirable to introduce a differential prising system in respect of critical raw materials and intermediate goods related to the end use.

The seminar also expressed serious concern about the inefficiency of the decision making machinery in Delhi which led to unconscionable delays in the granting of licenses to industrial projects. If continued, these delays, always costly, were likely to be more dangerous and costly today than ever before, It expressed the hope that measures would be taken to revamp the administrative machinery so that delays were minimised even if they could not be completely eliminated.

The seminar deplored the fact that industry was by and large heavily dependant on foreign technology and know-how. Further, industry in the country had not only failed to pay much attention to basic research but had not even cared to adapt or develop the imported technology to local conditions. The import of technology was divorced from the imparting of it. The seminar underlined the need for intensifying research and development so that industry achieved a fair measure of self reliance.

The seminar underlined the fact that unless the infrastructural facilities were efficiently managed and strengthened, the momentum of industrial development would not be sustained at the current low level, leave aside the targetted growth of 8 to 10%. It expressed grave concern over the continued neglect of this aspect of the management of the economy. Power was a most glaring example where generation had consistently lagged behind demand. Frequent power breakdowns and bottlenecks in transport particularly railway wagons, had time and again disrupted production. It expressed the hope that appropriate measures would be taken in in this regard with utmost urgency.

Self Reliance :

The Seminar cautioned that in our preoccupation with self reliance industrial development must not be allowed to suffer for want of essential imports. Self reliance should not be viewed in doctrinaire terms and the policy on imports should be decided on the basis of cost benefit analysis in each case.

The seminar felt that the reordering of industrial priority would facilitate the attainment of the other major goal of the Fifth Plan, namely self reliance.

Indeed, the seminar was of the view that under the present strategy contemplated in the fifth plan it may not be possible to reduce dependence on foreign aid by the end of the Fifth Plan. The present planning strategy with its heavy bias for capital intensive reliance of sophiscated foreign technology was likely to increase the pressures on imports and foreign aid. Even in the poverty eradication programme envisaged increasing quantities of items like oil, fertilizers, nonferrous metals, possibly even food to build up buffer stocks, would have to be

imported for some years in view of inadequacy of domestic output to match demand in the foreseeable future and to sustain the momentum of development.

The adoption of industrial strategy mooted in the poverty model, on the other hand may reduce the demand for steel and certain other imports. This is for the reason that many of these areas would be rendered superfluous consequent on the shift in the production pattern in favour of mass consumption goods. Besides the future growth of heavy industries not relevant to this would be pruned.

Simultaneously, the shift in the priorities might also release exportable surpluses. Since the inherent logic of the model dictates that the domestic consumption of luxury and semi-luxury goods should be curbed so that not only are resources deployed on these conserved and redirected as per revised priorities but possibly surpluses in these areas are made available for exports. The seminar pointed out that by adopting a dual pricing system for such items with the twin aim of discouraging domestic consumption by raising their prices and promoting exports by subsidies, if necessary, the cause of self-reliance could be advanced.

The seminar stressed that in the ultimate analysis the goal of self-reliance could be achieved only if exports were given a powerful boost. The scope for reducing imports was limited as imports of luxury goods had already been cut to the bone and imports of industrial raw materials and maintenance imports could be cut only at the cost of economic growth, given the present industrial structure and the prevailing shortages in a wide number of items. The seminar was aware that all these efforts might not make any significant impact on the balance of payments position in the foreseeable future. Yet they felt that the shift indicated was important to the extent that it would give direction to the poverty eradication programme and create the right psychological framework for its implementation.

While the above would form the basic strategy underlying the drive for self-reliance, it would have to be reinforced by other measures. In areas where we enjoy a competitive edge, the setting up of units exclusively for export production could be thought of. Readymade garments, leather goods, marine products and light engineering goods are some areas which offer great potential. There is also considerable scope for larger number of joint ventures abroad — particularly in the developing countries of Asia and Africa which find the intermediate technology we have developed more suitable to their industrial structure. Joint ventures can be a very useful vehicle for promoting exports of machinery, components and intermediates in respect of which there is surplus capacity in some areas and which can be further developed.

It was felt that the problems faced by our exports to specific areas or markets had not been adequately studied. A detailed analysis of the country's present exports was long overdue with a view to identifying the scope for enhancing or diversifying them. It was also stressed that a mechanism to locate problem areas and solve them promptly should be built into the export policy as time lags impair the value of corrective measures.

It was felt that the present system of incentives also leaves much to be desired. A new system in tune with the proposed programme which is realistic and operationally effective at the same time needs to be devised. The tax system should also be so reorganised that it provides the necessary impetus for promoting exports of all items which are in surplus, evident

or concealed, are encouraged and which could have a market overseas.

Resource Mobilisation :

It is axiomatic that the implementation of the poverty eradication programme would call for a massive resource mobilisation effort, for it requires no less resources than the alternate model. The most important front on which the resources war would have to be fought was that of savings. The present level of savings estimated at between 10% and 11% was very low. The seminar felt strongly that a minimum savings rate of 15% to 17% would have to be achieved for the successful implementation of the poverty programme.

This would necessitate action on many fronts. The entire fiscal system would have to be recast so as to encourage savings and discourage consumption. Even the schemes which are ostensibly meant to encourage savings at present were not designed to achieve the desired results. A case in point is the exemption limit for incomes from interest and dividends which has been fixed at Rs. 3,000/- arbitrarily. The implication is that even if a person desires and can afford to invest more, he would not choose to do so. Indeed the present system of taxes offered little incentive to savings beyond a point particularly among those who have the capacity and promotes wasteful and extravagant consumption.

Taxation :

The seminar strongly urged that both personal and corporate taxation should contain a greater incentive for savings in the form of tax remissions. These should moreover be imposed on a graduated basis such that the rewards are greater as incremental savings rise. However, the assessee should also be allowed exemption upto a certain level, on personal expenditure such as on education of his children, medical care etc.

The same would apply to corporate taxation also. The seminar drew attention to the fact that companies have large savings potential. Corporate taxation should be deliberately designed to encourage plough back of profits and their canalisation into new investment in the desired lines. At present both the profligate and the prudent are put on the same footing.

As the system of development rebate is being wound up and being replaced by initial depreciation allowance of 20% in the case of select industries, it was felt that it should also be extended to units set up in backward areas as such investments which enjoy a high priority from the point of view of poverty eradication. Further, as increased production is the crying need of the hour, tax credit certificates should be reintroduced on a wide scale whereby a part of the additional excise arising out of the increased production is refunded to the manufacturer. This will also encourage increase in the productivity of capital.

Hitherto fiscal policy has been conceived in static terms purely as a means of resource mobilisation. This is most unfortunate as fiscal policy if properly used can become a powerful instrument for achieving social goals. In the context of the poverty eradication programme fiscal policy must very consciously take into account the redistributive effect of particular tax measures and should be looked upon as a device for promoting social justice and effecting transfers of income from the better off sections of the community to the poverty sector.

The corollary of increased savings is really reduced consumption. The seminar

felt that commodity taxation could be used far more effectively in restraining non-essential consumption and channelising the surpluses arising therefrom to savings and investment. There is a strong case for increasing the levels of excise on luxury goods to much higher levels. Commodity taxation should not only aim at restraining consumption but should be so structured as to discourage the creation of production capacity for luxury goods. To this end one may even consider differential rates of excise on important raw materials such that they would be taxed higher if meant for the production of luxury goods than if they went into the production of basic consumption goods.

Both with a view to maximising resource mobilisation and imparting a more equitable character to the fiscal system, the seminar urged that farm incomes should be put on the same level as non-farm incomes in respect of income-tax. If this is not possible a steep increase in the land revenue should be effected.

Central Government undertakings, industrial and infrastructural (departmental and autonomous) have been the largest beneficiary of tax collections. This sector has unfortunately been the biggest drag on the country's resources. Primarily due to faulty planning and inefficient management the gestation periods of the giant industrial units in particular, set up in the public sector have been much longer than originally anticipated. Bokaro, for instance, which was scheduled to be completed in six years remains incomplete even thirteen years after it was set up. Not only had the public sector locked up vast investible resources, most of which would be considered mis-directed in terms of the poverty eradication model, but had also failed to make its due contribution to the pool of resources necessary for further development.

The seminar felt very strongly that the working of public enterprises must be substantially improved so that they justify the investments made in them and contribute their legitimate share to the resource mobilisation effort.

Monetary Policy:

The goal of poverty eradication is very seriously threatened by the incessant and all pervasive inflationary pressures rampant in the economy. The prices of food articles and industrial raw materials had risen on an average much more steeply than that of other goods. Whereas the overall index had moved to 250.7 in September 1973 (1961 - 62 = 100) and that of food to 297.5 and of industrial raw materials to 294.2. This has seriously eroded the income levels and the living standards of the poverty sector.

Inflation has also had grave repercussions on the growth of the economy. It has severely undermined savings and distorted investment patterns. The pool of savings has been constantly shrinking, owing to the fact that interest rates on savings have lagged far behind the pace of inflation. So much so monetary resources are being diverted to consumption. It is needless to add that most of this flows into the purchase of luxury goods as it is only the affluent sections which have any capacity for saving in the country.

The super imposition of widespread shortages of key commodities, both of mass consumption and industrial raw materials, has given rise to a flourishing black market and has greatly enhanced the attractiveness and profitability of hoarding, Indeed the rewards are much greater here than in any legitimate form of industrial or commercial activity. So much so a large volume of investible resources is being funnelled into speculative hoarding and the

normal mechanism of capital formation has been thwarted.

To protect the vulnerable sections of the population, the seminar recommended that the prices of goods entering into the poverty basket should be kept constant, while allowing the prices of other goods to be decided by the relevant policy considerations. A similar approach would seem to be called for in respect of raw materials and intermediate goods which go into the production of items relevant to the poverty eradication programme.

Money supply:

The seminar noted that unrestrained expansion of money supply (31% over last two years) was one of the main contributory factors to the inflationary pressures. It was imperative that a brake was applied to the growth of money supply. It was urged that targets for growth in money supply and credit should be fixed in advance and these kept under constant review.

The Government should immediately call a halt to unrestrained deficit financing. Deficit financing is no substitute for mobilisation of real resources. The fact that the resources raised partly through deficit financing had been harnessed in the support of an industrial structure oriented to heavy industry, which is characterised by inordinately long gestation period, has aggravated the situation. The increase in money supply triggered off by large scale resort to deficit financing has not been matched by a corresponding flow of consumption goods. This had given rise to classical inflationary situation of an increasing volume of money supply chasing a comparatively much slower growing volume of goods and services.

In the long run of course monetary measures would have to be backed by the physical effort to increase the availability of goods of mass consumption. The seminar was convinced that the shift in the pattern of production in favour of mass consumption goods would in itself in the long run minimise the adverse consequences of excessive money supply generation. Every effort should be made to bridge the gap in the growth rate of money supply and that of goods and commodities. The seminar warned that physical controls are not a solution to the problem of runaway inflation and might in fact prove to be counter productive.

The seminar was alarmed about the fact that scarcity had become an integral part of the power structure. Large sections of the elite and decision makers had acquired a vested interest in the economy of shortages. This had greatly undermined the political will to tackle the problem of black money and apprehend hoarders. It was felt that an important factor leading to the economy of shortages and its attendant evils was the unrealistic price policies and the system of wide based controls many of which had either outlived their utility or were so ineffectively enforced as to possess only a nuisance value. It was suggested that controls which do not have a dampening effect on consumption should be scrapped.

Institutional Changes:

The success of the poverty eradication strategy will require appropriate changes in the institutional structure. It would be necessary to strive for a pluralist society which offers sufficient room for experimentation. The possibilities of co-operative ownership and trusteeship would have to be fully explored. New modes of social responsibility would have to be assumed and fostered.

The seminar expressed reservations about the capacity of the existing official

machinery to measure upto the challenge of implementing the poverty eradication programme. It felt strongly that the masses of the people, through the instrumentality of voluntary organisations should be involved in the implementation. They could play a particularly helpful role in catalysing institutional changes in areas like land reforms or in securing the effective enforcement of the procurement policy or the administration of the public distribution system etc.

The seminar expressed the view that student community represented a very useful and dynamic force whose energies had not been sufficiently harnessed in the implementation of economic and social programmes. The participants felt that student community was very largely uncommitted and therefore could be relied upon to be non-partisan. They were moreover the only group which had a great deal of fervour and idealism. But an essential precondition to securing their involvement in the poverty programme would be a re-organisation of the educational system itself. At present the educational system does not instil in the student the kind of values that might motivate him to a commitment to such programme. Indeed, the educational system is so rootless that it does not offer any sense of direction to the students.

Several participants felt that the involvement of voluntary agencies in the poverty programme while eminently desirable, was rendered difficult by the negative attitude of the Government. It was felt that the Government tolerated private initiative only so long as it was ineffective. It was strongly urged that every effort should be made to evolve a neutral consensus on poverty eradication programme independent of party affiliations. It was pointed out that under the existing plan strategy it was difficult to secure mass participation programmes of economic development owing to the fact that it had not in the past secured them any identifiable and tangible benefits. Planning hitherto had been divorced from the people and had been solely preoccupied with growth in the abstract. To the extent that the poverty model envisaged by the seminar was essentially people oriented and would be specifically directed at improving the standard of living of the masses, its success would generate mass enthusiasm and facilitate a deeper involvement of all sections of the community in the plan programmes.

The seminar noted the process of economic development had created in certain respects high consumption society. High consumption levels were wholly inconsistent with the goal of poverty eradication. These were essentially the outcome of an environment in which unrestrained income goneration had been allowed without any corresponding check on consumption. Besides the considerable waste of resources that this had entailed, the wide and glaring consumption inequalities that it had fostered had accentuated social tensions. The seminar felt very strongly that an atmosphere of austerity needed to be created if the poverty programme was not to be jeopardised. In other words, we have to reorient our value system radically, all through the line right from the top downwards.

The seminar called attention to the fact that the institutional structures and machinery for the implementation of various programmes were not geared to the challenges of development. It was pointed out for instance that if all the resources, both monetary and physical, which had been expended on the scarcity programmes in Rajasthan had been properly channelised, the State could have been transformed into another Haryana. Uagent

attention therefore needs to be devoted as much or even more to the management of resources as to the raising of it. The seminar underlined the great importance of human capital, possibly the country's most invaluable resource, which it felt had not received adequate attention. No concerted attempt had been made to either utilise the vast manpower resources, some of it highly skilled and comparable with the best in the world, properly or provide it with the requisite tools and opportunities to enable it to participate fully in the developmental effort. A greater volume of investment must be directed to upgrading the capabilities of the vast reserves of labour at the command of the country.

Conclusion :

The official attitude to poverty as exemplified in the plan documents is best described in the moving words of John Adams. Speaking of the poor man, he says, "he is not disapproved, censured or reproached; he is just not seen. In the midst of a crowd, at church or in the market, he is in as much obscurity as he would be in a garret or a cellar. To be wholly overlooked and to know it; this is his pathetic lot".

But the poor cannot be ignored any longer. They cannot be pacified with slogans. Assurances and exhortations do not carry any credibility with them. They are only too painfully aware of the fact that 25 years of independence and four development plans have done nothing to relieve the dull pain in their shrivelled bellies, or clothed them even in the meanest rags or put even a humble roof over their heads. They have yet to catch a glimpse of the promised land.

The poor are incapable of saving enough to relieve their own destitution. Yet meney is not the real obstacle. For if money were the main catalyst of growth the oil and mineral rich countries should have become the most affluent communities in the world. These countries, however, have not made much headway in coming to grips with their basic problems of reducing unemployment or growing enough food to feed their population. The universal experience of developing countries has demonstrated that there is no substitute for political will in engendering rapid and balanced economic development.

No other country, admittedly, faces the complexity of problems we have. The sheer numbers of our population and its frightening rate of growth alone is enough to drive planners anywhere to despair. At the same time, there is perhaps no parallel of any other developing country which is endowed with such an abundance of natural resources and techno-managerial skills to meet the challenge. All that is lacking is the will and determination to take the bull of poverty by the horns to address ourselves to the task which is so compelling.

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A – INDIAN COUNCIL OF SOCIAL SCIENCE RESEARCH – REVIEW COMMITTEE

A Summary of the Report

by

DR. M. ABEL, *Member-Secretary*

The Indian Council of Social Science Research, as required by its constitution, appointed the first Review Committee in January, 1973 under the Chairmanship of Dr. Malcolm S. Adiseshiah. The Committee was asked to review the current status of social science research in India and its future directions, and in the light of its findings, to evaluate the work of the ICSSR in the last four years and indicate the lines on which it should be developed during the Fifth Five Year Plan period. The Committee was requested to submit its report by 30th September, 1973.

The Committee started functioning early in January with its Secretariat established in the Madras Institute of Development Studies, Madras. It has completed its task within the time schedule and has submitted its report to the Chairman of the Council, which was released in early November.

The Committee, while carrying out its task, collected information from nearly one thousand social scientists through interviews, questionnaires and colloquia. It also met a number of Vice-Chancellors, members of the University Grants Commission and Heads of other science research agencies and councils and discussed with them the problems of collaboration and co-ordination between them and the ICSSR in promoting social science research. It also held discussions with several ministers, heads of government departments, business leaders and other users of research on problems relating to the utilization of the results of social science research. All the relevant information gathered from these various sources was taken into account by the Committee in formulating its recommendations. Volume I of the Report is the analysis and recommendations of the committee. Volume II is a summary of the statistical data and evidence on which the committee's findings are based.

Regarding the current status of social science research, the Committee has noted that considerable progress has been made in recent years. This progress is marked by the adoption of new research methods, approaches and techniques, the exploration of new areas, and the discovery of some new ideas and theories. It is possible to point to a few analytically significant studies in every social science discipline. The Committee has also noted with satisfaction that government and other private organisations have begun to recognise, albeit inadequately, social sciences as a resource for promoting national development and effecting social change along desired lines. This is reflected in the organisational and financial support made available to social science research through the ICSSR, U.G.C. and the R.P.C. of the Planning Commission.

There is however, a sombre side to the picture. Much of the current research effort has no relevance to contemporary

social and national problems and suffers from lack of vigour in its analysis of phenomena and synthesis of facts. It is largely oriented towards micro-level research to the neglect of macro-level problems. It has not yet got out of its tutelage to western theories and models and has failed to develop research tools, designs and prescripts appropriate to the Indian situation. Multi-disciplinary and inter-disciplinary research is rare. But what is encouraging in this situation is that the community of social scientists is alive to these defects. They have expressed grave doubts about the efficacy and adequacy of the present system of higher education and research to foster and promote the knowledge and skills needed to equip them to understand and play their proper role in suggesting effective solutions to complex problems confronting the Country. They are keen that steps should be taken to remove all impediments to social science research and mould it as an instrument of national development and social change.

In the light of the evidence received from the social scientists, the Committee feels that in order to facilitate significant and relevant social science research the following measures should be undertaken. The university system which at present separates teaching from research, and theory from application and utilisation should be reformed in such a way as to forge unity between them. This would involve the revision, up-grading and up-dating of the under-graduate and post-graduate courses and their syllabi so as to provide an adequate base of fundamental knowledge of the subject needed for research. It also demands that research results must be incorporated into the under-graduate and post-graduate teaching programme in order to promote unity between teaching and research. Secondly, research itself should become more problem-oriented and inter-disciplinary involving collaborative team work concentrated on the national priorities set forth in the Fifth and future Plans. Thirdly, the present dearth of research personnel should be removed by carefully planned long-term training courses in research methodology and through a more adequate programme of fellowships. Fourthly, adequate infrastructure in terms of sound research institutions, well-equipped libraries, documentation centres and data archives should be created. Finally, opportunities should be made available for researchers and potential users of research to meet and discuss their mutual problems with a view to bridging the gap between knowledge and its utilisation.

As far as the ICSSR is concerned, the work it has been able to accomplish during the brief period of four years of existence has evoked warm appreciation from social scientists and other private and government bodies. They have stated that the ICSSR has secured a new status for social sciences and that it has imparted a powerful impetus to social science research through its programmes of research fellowship, research grants, travel grants, publication subsidies and other infrastructured facilities like the National Documentation Centre and the Data Archives. It is also acknowledged that the progress the ICSSR has made in its early phase is not a little due to the devoted services of the late Prof. D. R. Gadgil, the first Chairman of the Council, and his successor Prof. M. S. Gore. Particularly, high praise and tributes have been paid to the dynamism, dedication and vision with which Shri J. P. Naik, the Member-Secretary of the ICSSR, has been guiding its policies and activities since its inception. The Review Committee associates itself with these findings, is appreciative of the effective manner in which the Council is functioning

and records its finding that its administration is clean and above board.

The Review Committee's recommendations for the future development of the ICSSR are set forth in detail in the final Chapter of its report. They cover such issues as the autonomy of the Council, the social sciences to be included in ICSSR's jurisdiction, research perspectives and priorities, strategies for promoting social science research, fellowships and grants, training in research methodology, decentralization of the functions of the ICSSR, encouragement to younger social scientists, organisation and structure of the ICSSR Secretariat, finance and relation with other agencies.

Some highlights of the recommendations are the following:

1. Regarding the composition of the Council and the appointment of its members, it is recommended that the Council and its various committees should be more broad-based so as to give proper representation to the different social science disciplines as well as the regions of the Country, and to younger social scientists. It is also recommended that the Council should consist of 8 ex-officio members to represent government departments and other research councils, 8 social scientists nominated by the Council, and 8 social scientists chosen by the Council in consultation with a panel of social scientists established either by the various professional associations of the social scientists or by the ICSSR.

2. While the Government should be the final authority to appoint the Chairman and the Member-Secretary of the ICSSR, it should establish the healthy convention of accepting and appointing to these high and responsible posts only persons nominated by the Council itself. The convention should also require that the Council nominates only one person to each post.

3. The Committee considered two alternative systems in the matter of the nature of the posts of Chairman and Secretary of the Council. One is to have a distinguished social scientist as full-time Chairman and a Secretary who would be the Executive (Administrative) Officer of the Council. Under this system, the post of the secretary will not be a matter for appointment by the government, but will be within the discretion of the Chairman. The other system is to have a part-time (honorary) Chairman and a Member-Secretary of the Council who should be distinguished social scientists. Under this system, the Member-Secretary will be the head of the professional staff of the organisation. After carefully weighing the pros and cons of the two systems, the Committee reached the conclusion that the choice between the two alternatives will in the last analysis depend on the persons available. In the light of such availability, the Committee recommends that either system be adopted in filling the posts of the Chairman and Secretary, allowing for a certain amount of flexibility in the rules of appointment whereby the two models may be combined, as necessary.

4. With regard to the disciplines to be covered by the ICSSR, it is recommended that International Relations and Social Work should be established as independent disciplines. Social philosophy should be included in the ICSSR'S list of subjects established for supporting research on topics which have social science aspects. Further, the ICSSR should encourage research by staff members of primary and secondary schools, scholars not formally qualified and individual members of trade unions.

5. In the context of the need for significant and relevant research, and multi-disciplinary and inter-disciplinary research, it is recommended that the ICSSR should give more importance to

its promotional role than the responsive role with which it has so far been primarily concerned. The Council's sponsored activities hereafter, while ensuring the inner growth of the disciplines, should bear more on social relevance, with particular relevance to the Fifth Plan objectives. The Council should move more in the direction of multi-disciplinary and inter-disciplinary problem-oriented research. Joint committees should be established between the ICSSR and CSIR, ICAR, ICMR and other such research agencies. Ageements between the Council and these bodies have been negotiated by the Committee and are included in its recommendations.

6. The Council's promotional role should be geared to twelve inter-disciplinary research programmes of relevance and significance to national problems which have been selected. They include poverty, unemployment, regional disparities and area planning, urbanisation, social change, social unrest and violence, student unrest, scheduled castes and tribes, public policy, the process of development, national integration and area study of South and South-East Asia. Programme Committees should be constituted to promote research in these priority areas as well as in the disciplinary themes recommended.

7. The Council should provide project grants to individual scientists, programme grants to the University departments, and programme and core grants to selected non-university centres and institutions.

8. A National network of ICSSR Centres consisting of some selected university centres and non-university centres/ institutions should be established to promote inter-disciplinary research on problems of national significance and relevance and the Council should fund these units on a long term basis.

9. The number of research fellowships should be doubled and the value of each fellowship should be increased.

10. One year full-time research methodology training courses should be developed, in university and non-university centres. The Council should organise inter-disciplinary research methodology courses.

11. The ICSSR should accept as a long-term objective the principle of decentralization with regard to its structure and techniques of functioning. As a first step in this direction, Regional Centres of the ICSSR should be established and/or strengthened at the following places: (1) For the North in a location to cover M.P. and U.P.; (2) For the North-West in Chandigarh; (3) For the East including Bihar in Calcutta; (4) For the West including Rajasthan in Bombay; and (5) For the South one in Hyderabad to cover A.P. and Karnataka and another in Madurai covering Tamil Nadu and Kerala.

12. The ICSSR should make special endeavours to identify and encourage younger social scientists particularly those in affiliated colleges.

13. The Council should streamline the procedures observed in screening and approval of projects with a view to eliminating delays and facilitating consultation between the project proposer and the consultants.

14. The discrimination against social scientists in matters relating to tax exemption, travel concessions and facilities granted by the government to natural scientists should be abolished and social scientists in their professional work should be placed on equal footing with natural scientists and technologists.

15. A National Academy of Social Scientists should be established.

16. The secretariat of the Council should be strengthened professionally so that it can take the initiative in planning projects as decided by the Council and monitor their execution.

17. A budget of Rs. 11.60 crores for the Fifth Plan and Rs. 17.60 crores for the Sixth Plan is recommended. Further, social science research outlays should be planned as 5 per cent of the one per cent of the GNP outlay for S & T Research, as is being done in other countries and as recommended by the Asian Conference.

B—SELECTED PAPERS
FROM
THE SEMINAR FOR RESEARCH SUPERVISORS AND GUIDES IN ECONOMIC: RESEARCH METHOLOGY KARNATAK UNIVERSITY, DARWAR.

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SOME ASPECTS OF ORGANISING A COURSE ON RESEARCH METHODOLOGY FOR ECONOMICS STUDENTS

By

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This note is intended to raise some of the issues involved in organising a course on research methodology for post-graduate students of economics. First, the objectives of such a course are outlined; then, the elements that might constitute a programme are indicated and finally, certain organisational issues relevant to the implementation of such a programme are posed.

Objectives :

The objectives in organising a methodology course for the research students ɩppear to be quite clear. The stream of ›ost-graduate students coming out of the conomics departments of the various outhern Universities are found to be adequately equipped to undertake search. The consequences are that in ›st departments, the output of Ph. D dents are rather low, those who comp- ː the research work and secure the degrees are often found to be poorly equipped for formulating and analysing actual problems and finally to a swelling of the number of students registered for Ph. D on the rolls of the different Universities who are unable to complete the thesis and who could not be weeded out by the departments themselves.

The problems stated above arise mainly because the post-graduate students in our universities are not given adequate training during their period of study in some of the important areas relevant for research work, viz.

1. The students are generally not able to recognise and to formulate testable hypotheses;
2. they are not sufficiently equipped with quantitative tools for testing a hypothesis and analysing a given set of economic data; and

3. they are not provided training in writing and presenting research materials.

These defects can be traced to the contents of and the manner in which graduate and post-graduate courses are structured and taught in our universities. The theory courses are based on standard text-book material and a critical examination of these concepts and theories are often relegated to the background. Similarly, the courses in quantitative areas fall into either of two extremes. On the one side, a selected few students are given courses in statistical theory and the theory of econometrics without providing any practical training. On the other end, a large number of students are given an elementary course in statistics again without any relevance to the problems of economics. When confronted with economic data, both these groups display almost an equal amount of ignorance in the tools and methods of analysis and in the interpretation of the results.

Since almost all the universities in the South, depend upon 'final' examinations for evaluating the students, the students are trained, if at all, only in writing answers to standard questions. A thesis, in partial fulfillment for the M.A. degree or 'term papers' for some of the courses might have provided some opportunity to the students to practice writing up of research materials, but the absence of these provisions in our curricula provides not an inconsiderable handicap for the beginners in research.

In view of the above limitations of our post-graduate training, while devising a course in research methodology measures have to be devised to remedy these lacunae.

Course Content :

The research methodology course, in order to enable the students to overcome their intial handicaps mentioned above, might include;

1. a course in theory relevant for formulation and testing of hypothesis;
2. an applied course in quantitative methods relevant for research for strengthening their knowledge of the tools of analysis ; and
3. specific programmes of writing of research reports or papers which could form the basis of discussions on formulating, analysing and presenting research materials.

If these factors appear to be relevant for a course then the task will be to design the specific course contents. It is likely that most of these courses generally cannot be based on standard text book material. The theory course may have to be based entirely on journal articles where certain theoretical constructs are empirically tested, extended or modified. The theory course need not also be confined to materials covering the conventional areas of micro and macro-economics. To give examples of the type of materials that might constitute such a course, we can discuss some of the articles relating to;

1. form size and productivity in Indian agriculture;
2. the response of marketed surplus and of supply to price;
3. the shifting of the incidence of a tax on corporations;
4. production functions fitted to farm management data; etc. etc.

Similarly, the course in quantitative methods should also be designed from the point of view of applications. Most of the material relating to the niceties of simultaneous equations estimation are irrelevant from a practical point of view. This course might comprise of the use of various types of distribution functions in

economics, the core of applied econometrics including analysis of variance and of co-variance and sample survey methods. Most research students are unfamiliar with the problems of sample surveys and some knowledge on sample design, selection, coding and tabulation of survey material appear to be essential for a number of research projects.

Finally, to provide some training in the writing of research papers, each of the participants may be required to produce a research report during the period of training. These reports can be survey articles in selected areas of economic theory or policy, or papers based on the analysis of Indian data or even reports based on survey. These papers can be discussed in seminars to bring out the salient features of the problem analysed, the methodology adopted, the manner in which the problem has been posed for analysis etc.

Organisational aspects :

There are two important questions as to the implementation of the programme. First, what shall be the duration of the course? This will be determined, probably, by the nature and contents of the course in quantitative methods and the absorptive capacity of the participants of this course. Besides, the participants shall also need time to choose and to analyse a research problem. Taking all these into account, one may consider a period of six months as the minimum time required for conducting a course of this nature.

The second question relates to the location of such a course amongst the Southern universities. In most university departments, the number of students registering annually for research are probably less than five, and thus it will be uneconomical to organise such courses in all the Southern universities. Further, the personnel for organizing such courses are also limited in number in most of these departments. Therefore, it is advisable that the methodology course is organised in one or two selected centres only at a time and students from all the southern universities may be required to take these courses at one of the centres prior to final registration for Ph.D. Staff members of all universities in the south may be requested to participate in the training programme at one time or another. The same universities need not also run the course on a regular basis. The courses can be organised in all the southern universities on a rotational basis. An arrangement of this kind can be an important forerunner in academic collaboration among the universities of South India.

GAPS IN CURRENT RESEARCH FOR DEVELOPING NEW AREAS OF KNOWLEDGE IN ECONOMICS

By

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1.1. Indian research in economic sciences has been very largely in the area of applied economics. Whether such efforts are adequate and are sufficiently intensive to lead to help policy formulation are nevertheless questions yet to be answered. In this paper, I shall spell out broadly what would appear to be major gaps in fundamental research which has suffered neglect and incidentally examine some of the gaps in applied economics.

2.1. **Gaps in Fundamental Research :**

Theoretical research in the economics of poverty is a recent manifestation. The names that we recall quickly in these fields are those of Prof. J. Balogh, Prof. P. T. Bauer, Prof. G. Myrdal, Prof. A. O. Hirschman and similar writers. It is surprising that it is always a Britisher, Swede or an American who has made a fundamental contribution and not an Indian. The recent work of Dandekar and Rath (1968-70) or the work in progress in Madras University since the days of Dr. Gilbert Slater (1915), who wrote a major work on "Poverty in South India", are probably not as widely known, and even if known are not adequately theoretical. I made out this point as early as 1959. But over this decade the response has been meagre.

3.1. **The causes of the gaps could broadly be stated as :**

(a) the colonisation of India by foreign powers and the consequent Europeanised Indian elite orbiting in a separate sphere unrelated to the orbits of the poor and inarticulate Indians, (To them any theory however irrelevant was enough.)

(b) the exodus of the British in the late forties, and the consequent Sellers' markets for the "Skills" of Indian economists; and

(c) over-centralisation and bureaucratisation of Indian Governmental and political life since 1950 which accounted for an unbalanced investment in a few favourite cities of India, which had no atmosphere for fundamental research.

3.2. The aforesaid situation brought about, in respect of the first cause, the Britishers *thinking out and carrying* out research on Indian problems either in Britain or by British-trained Indians in India. They were pre-occupied with *tariffs and trade*, and occasionally with problems of Indian finance.

4.1. **The recent Indian situation**

When a few economists in India got deeply involved in Indian planning massive but intellectually common place materials littered the economy since 1950. It is surprising that it did not occur to planners till recently that either State Planning or District Planning can be a viable concept. Practical sense or political economy took the place of basic economic theory. The inroad by econometricians also—soon resulted—though paradoxically in some superstitions. Until recently no one has

seriously applied Logic and Scientific Methods to planning within India. Normally a situation of scarcity of opportunities would attract excellent resources struggling to take advantage of the limited opportunities, but there has been an explosion of demand for economists and many of the Universities produced almost in a shift system numerous 'economists'. There has also been a considerable number trained in the many universities of the world, mostly in the U.S.A. which became the paternalistic substitute to Britain and gave scholarships to those with skills in English. Most of them found comfortable berths in the Indian metropolis and sooner gravitated towards Delhi. The enormous power of patronage concentrated in the Indian Planning Commission and different Ministries of Government of India made Delhi the Mecca of career economists.

4.2. Funding Institutions

Almost 10 years back, the Indian Economic Conference decided that there ought to be a body which would supplement the reosurces of the U. G. C. in University campuses to encourage fundamental and applied research. But the ICSSR developed in an unpredictable way and became a new power centre. The UGC Grants to different centres of learning were largely absorbed for routine teaching and collegiate management. It is interesting to note that the U.G.C., ICSSR and several other research foundations created in India have all been located within accessible distance of the Secretariat of Government of India, and the tune was distinctly heard, and responded to. Again the area neglected has been fundamental research.

4.3. Other issues :

One of the causes of the gaps in Economics research is the over-centralised decision-making in the use of funds of Economics Research. The other reasons are inadequate interest by industrialists, agriculturists and other economic functionaries in transportation and marketing.

5.1. Back log :

Some of the main areas in which a backlog of research interest obtains can be broadly categorised into fundamental and applied.

5. (i) **Fundamental :** The relation between Economics and Welfare became a thorny issue in the writings of Marshall. After Marshall no practising economist in the world excepting the agitator and political economist, if we may so call M. K. Gandhi, developed a typically Indian Economic Theory in respect of capital and its ownership, employment and income. Yet so much has been written on the irrelevant ideas of Keynes including his fussy concept of deficit finance. But Indian economist did not find time to reflect on Gandhian Economic ideas of Trusteeship. Perhaps the first University in India to develop Indian Economic Thought as early as 1917 and to make it a system of knowledge by continuous effort which has resulted in the development of a full course is the Madras University, and resources for it were either meagre or scattered in use. Similarly in the early writings of Mill and subsequent works of Harrod, the role of Logic has been significant and yet I wonder whether in any University including those which make syllabus revision their whole time occupation, ever introduced Logic and Scientific Methods as a distinct subject of study. I may add that the Madras University expects now the student to be familiar with either Mathematics / Statistics / Econometrics *or* Logic / Scientific Methods / Philosophical reasoning as one of the essential papers at the P. U. C., B. A. and M. A. level.

Unless the students have training in these disciplines it is illogical to expect them to venture to do research in theory. The courses in area studies and social sciences offer again another route to fundamental research. Ecology, ergonomics and Welfare Economics are realms of research which require knowledge in many disciplines.

5.12. Atmosphere :

Belated but not without reason it has been realised that when economists are scattered as it obtains in India, or when they are in a cluster, but dominated by Governmental influence as it happens in two or three places, schools of thought can hardly develop. More recently strong ideological tones are becoming significant which hold promise for schools of thought in the manner it happened in Europe such institutions influenced by the Communists, the Syndicalists, the Liberals, the Fabians etc. Viewed in this way there are materials for the theory of Indian-Economics, but we do not have theoreticians on the subject.

5.13. Abuse of Statistics

The second limitation is inadequacy of material which was very true in the days when Professor Gilbert Slater wrote "Some South Indian Villages". But in recent years we suffer from a chaotic superfluity in statistics and much of them are little understood if not wholly misunderstood. The National Sample Survey, the All-India Compilation of Employment Statistics and the Working Class Family Budget Survey, are examples of very high articularion in Statistical techniques, but poorest examples of economic logic, and are blunt tools for economic analysis. If we can expose the economic reasoning implied by these statistics, we may perhaps have as much corrective materials as are needed to use them carefully. However, statistics for its own sake appears to be the attitude.

The absence of statistical and economic interest among the industrialists and surely among the agriculturists has resulted in official statistics dominating our reasoning. For fundamental research, the problem that obtains today is not indequate statistics, but inadequate checks and critiques of the source materials.

5.14 Other issues :

Concepts like entrepreneurship and rate of interest have been used in the historical sense and tied with the names of Schumpeter and Bohm Bewark without any serious thought on the nature of enterprise in an agraian economy or in the World of Indian money-lenders. There are a few studies on Monetisation and they too are incomplete. Gaps in research relate to identification of Indian contributions, critical use of statistics and development of conceptual tools to understand the Indian economy.

6.1 Applied Research :

Especially in agriculture, applied research has been abundant and the results of the researches to a great extent have corrected our thought in respect of agrarian revolution. However, analytical exercises on the basis of existing data have served to give comfort to Western European and North American economists, who revel in theories known to them, rather than to instil confidence in the Indian peasants.

6.12 Funding Problems

The foreign and Indian sources of funds are many. Official purposes for which these studies were commissioned, the immediate political object they served and such ephimeralities have cast a touch of *ad hoc* character on empirical research.

Occasionally, there is a burst of tears for the poverty-stricken, laments for the rickshawalas and taxi-drivers and for the slum-dwellers, but few State Governments and few economists have done worthwhile studies on these worst forms of poverty.*

7.1 Staff size:

A critical minimum faculty of 40 to 50 consisting of both young, and experienced economists would be the ideal group to exchange inter-disciplinary and continuing research ideas, fundamental or appl There is no such school of though India, and it looks as though we prod tools without factories and turn scholars without schools.

8.1 Our understanding the problem:

The identification of gaps in research a laudable attempt, but I quite see ho incomplete our understanding is excep in a cursory style.

THE AVENUES OF URGENT ECONOMIC RESEARCH

By

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I. Macro-Level Research

Before any Micro-level research can be fruitfully conducted, research is required into the proposed structure of the economy as a whole so that the place of each industry and the type of technique it uses may be known in the total frame-work. It is of little use projecting demand and supply for an individual firm's product for the next ten years and learning later on that the product is on the proposed list of disapproved commodities about to be banned or severely discouraged regarding its production. Hence, neither planning at the firm's level nor at the district and State level can be very fruitful for the country's development unless some basic issues are clarified at the Central level itself.

The Central Government has avoided, upto now, giving a clear-cut policy on the choice of goods and the choice of equipment, and one can notice that some of the policies of the ministries in these lines are quite at variance with their pronouncements and the objectives of National Policy as laid down in political documents and the approach to the Fifth Plan. Thus, though the policy is employment generation, automatic milk-vending machines are under active consideration for importation. Though labour-using techniques are recommended, tractorisation of farms is being rapidly encouraged; though the common man's goods are to be provided and the burden put on the richer section, television industry is being actively encouraged. Hence, research for a planned economy requires determination regarding the policies of the Central and the State Government, so that pronouncements are turned into realities through implementational policies. The object of this essay is to describe the gaps of knowledge, but for which effective guidelines could be given in planned economy.

II. Technological Knowledge

Before any authoritative comment (as distinct from hypotheses based on preliminary observation) can be made on the subject of what technique is optimum (i.e. what processes are to be considered appropriate for including in the set of interlinked processes called a sub-economy or technique) we must have the information regarding the outputs and inputs of processes collected in physical terms and analysed in the form of a Production Function at the ruling subsistence wage level.

The drawing up of a Production Function for the country requires the depiction of technology faithfully in an engineering encyclopaedia from which the economist may construct an input-output model in physical terms. As the engineer does not at present gather his information for the benefit of the economist, the whole depiction has to be done anew. Only from this

table can we find out the correct proportions in which goods should be produced to give the proper inter-linking which provides growth of each technique without bottlenecks. We can also choose between different techniques after each sub-economy representing a technique, the rate of plough-back within the Heavy-Investment Sector which it generates, the rate of growth of employment and the rate of profit which it will yield. From this data the appropriate technique may be determined as also the Optimum Strategy selected.

III. Profile of the Optimum Strategy

Research into the determination of Optimum Strategy of Development should be carried out in the field of its formulation and its implementation.

The economists following the Strategy Approach consider that an important parameter in planning in under-developed countries is the proportion of the output of the Heavy-Investment (called H for short) which is ploughed back within itself. But in the traditional analysis the parameter is connected with the optimum rate of investment, because it follows from a model in which consumption goods require mechanised light machinery which further requires for its production the output of the Heavy-Investment Sector. In this system if more is to be given as standard of living to the employed workers, less of the Heavy-Investment Sector's physical resources will be left within itself for its further expansion.

In the alternative system of thought based on the Robinsonian School (as applied to long-term strategy of development), the rate of plough-back of Heavy-Investment is indeed a key variable, but it is not governed by the standard of living which workers choose for themselves. The real wage rate being kept constant at the minimum level, while un-employment lasts the rate of ploughback is determined by the choice of techniques in consumer-goods manufacture. For techniques like the wooden plough and the charkha where machinery used is such that its materials derived directly or indirectly from the Heavy-Investment Sector are negligible, the rate of ploughback of Heavy-Investment Sector within itself is almost unity. In other cases it is less than unity. But given the fact that workers building steel mills and dams etc. in the Heavy-Investment Sector must be fed and consequently balanced investment must be carried on in the sectors for Heavy Investment and for the supply of consumers' necessaries, various technologies give a different degree of H-content and are, therefore, H-conserving to a different extent. A high rate of plough-back of Heavy - Investment within itself is obtained by using H-conserving techniques and a low plough-back by depending upon H-using techniques. The rate of plough-back refers, in this context, to the physical outputs like steel or electricity used within the Heavy-Industries Sector and not to the percentage of plough-back of profits in that sector.

The choice of the planner is not the optimum rate of savings but these techniques. The Robinsonian School of thought as extended to development problems at Cambridge, and at the Osmania University, views the matter through strategies which are generated by these different degrees of mechanisation and H-conservation. A high degree of H-conservation in the consumptions-good sector gives the possibility of a high rate of growth of Heavy-Investment which looks after the requirements of the future industrial needs of the country, and at the same time results in the consumption sector having a lower degree of mechanisation and a higher ratio of employment per unit of capital, with a high rate of growth

of the economy there is generated a very high rate of growth of employment and of consumer necessaries and through that a better distribution of goods between those catering to the common man and the upper groups. The techniques of low degree of mechanisation also give a more favourable distribution of incomes between wages and profits. Therefore, this strategy looks after the interest of the short run as well as the long run and thus tends to reconcile the interests of economic growth and social justice.

A higher degree of mechanisation causes a low level of H-conservation and a lower rate of growth of H-Investment which does not look after the interest of the long-run industrialisation of the country. It does not also look after the short-run need, because it gives lower employment per unit of capital investment and rate of growth of employment and of consumption-goods, and also yields a distribution of income more in favour of profits. To the neo-classical economist such a situation is most welcome because it is apparently yielding more savings in relation to income on account of the propensity to save of profit earners being higher than that of wage earners. But this high rate of savings is illusory because it is associated with such a large capital-output ratio that it betrays the under-developed country into a low rate of growth of Heavy - Investment as well as of consumption necessaries. What is required for the country is steel and for the people food. It cheats them of both, but shows how the high rate of investment may get frittered away in automatic looms and tractors. The search for merely a high rate of savings without looking at the composition of the investment is a marsh to be avoided, as it will drag underneath the Government which bases its economic policy on the neo-classical model. The above hypothesis regarding the Optimum Strategy is, therefore, an important field of research.

IV. Implementation of the Strategy

In the next phase of the planning problem one has to correct the unsuitable composition of goods in which investment has taken place. The industrial expansion of the last twenty-two years in a planned regime has somehow led to huge investments in luxury commodities which cater to the requirements of the top decile of the population. Indirect taxes (unless increased multifold) are inefficient in curbing this investment, as there are enough people who will buy the luxury products at the higher prices established. These taxes tend to accentuate the disparities by cutting down the expenditure of the lowest group of people in the consumption-slab which purchases them and allowing them to be consumed still by those who are richer.

The problem is not merely of cutting down demands, but also of choking off the supply by making it unprofitable for the entrepreneur to invest in them. For this reason, monetary and fiscal policy ought to be directed towards bringing up the rate of profit on capital of the appropriate form for the production of necessaries, and to decrease it in the field of consumption luxuries. A series of studies will indicate how much of inducement and dis-inducements will have to be given to the entrepreneurs to shift from more lucrative forms of investment to the Optimum technique.

A spectrum of interest rates discriminating in favour of goods like improved agricultural implements and against air-conditioners is required for monetary policy to be development-oriented. A general rise of the rate of interest for attracting bank deposits is a policy flowing from the Quantity-of-money equations of the neo-classical economists. For the growth economists encouragement of the right sort of production would call for the use of the instruments of lowering of the

interest rate in the production of necessaries and removing the bottlenecks for their production (for example agricultural extension agencies to be helped to be set up), and the function of the banking system becomes not to attract deposits but to attract borrowers for the appropriate goods and techniques. The work of replenishing the deposits is the task of the Central Banking Organisation which must keep the banks supplied with credit for encouraging the production of the consumer necessaries and their materials and equipments. Through that way the Reserve Bank will curb inflation rather than by restricting the credit, making the rate of interest high for production of necessaries and putting a break upon their expansion of supply in the market. The ratio of investments creating supply of necessaries in the short duration, as against all other investment is the Balanced Allocation Ratio which prevents real inflation. With investments in this ratio real inflation cannot arise whatever the means of finance. Hence, Quantity of Money as an index of the Degree of Inflation may be eliminated from the list of important indicator for inflation.

The fiscal policy also requires a direct tax to be used for cutting down investments in undesirable avenues and to encourage them in desired forms. Such a tax has been described as Disparity Tax and gives an encouragement weightage to investments in necessaries and discouragement weightage to investment in production of luxuries. It works on the basis of deductions out of income (for notional investment is derived with the use of the weightages), in the assessment of all the investors so that there is an encouragement for investment in essential forms and discouragement for inessential investment as well as luxury consumption.

Thus the problem of control of inflation is not a problem of controlling the supply of money but of channelling it into the proper activities, so that a balance is struck between the tendencies to increase prices, through investment in demand creating activities like long-gestation projects (dams steel mills and engineering colleges), and necessary expenditure, like defence, which give little return for industrial production of the civilian sector, and directly unproductive expenditures (waste of materials, un-utilised capacity, increase of administrative staff without corresponding work, Republic-Day illuminations etc.) on the one hand, and the tendency to curb prices through investment in supply-creating activities like quick-yielding projects like minor irrigation, manure tenches in villages etc. on the other. This leads to non-inflationary growth and is compatible with an increase in deficit financing.

The object of fiscal policy is to achieve the allocation of physical resources necessary for the proper strategy in a non-inflationary growth pattern. The Central Planning problem is thus to describe and to achieve this allocation. It is not the problem of merely evoking a high enough rate of saving and hence a change of emphasis is needed from the formulations of the economathists regarding inter-temporal choice of rates of discount of the future to the hard reality of getting so much of bread and so much of cloth per head of the employed population though the selected technique which does not put pressure on the scarce resource of the Heavy - Investment Sector.

V. Conclusion

Hence, a large proportion of research effort will initially be needed to ascertain which part of the already accomplished research is to be retained and which part relegated to the archives. As a lot of research which deserved to be treated in the latter manner freely circulates among our research workers for providing irrele-

-vant patterns for their work and a considerable amount of it finds its way into text-books, thus misleading a whole generation of young economists in universities, this will be an important project of the utmost urgency.

On the other hand, apart from the nargative contribution of weeding out the irrelevant portion of economics from current literature, one has to build up literature on the new pattern, written in prose and not in the poetry of equations with imaginary assumptions of malleable capital etc. so that it can be understood by the writer himself as well as his readers.

The prospect of applied research should be in the frame-work of Optimum Strategy the exact content of which should have been determined earlier and under projects described above.

It is this which will serve to orient our University Teachers and students and the planning experts in the Government to understand the development problem and not to give prescriptions based ultimately on the occult sciences.

In the above macro-framework, micro-projects have a place. If the framework remains as at present, individual or team research on individual projects acquire a limited value, and it becomes a matter of concern to the nation as to what proportion of funds at the Central and State level and resources of organisations like University Grants Commission and Indian Council of Social Science Research and other institutes as well as the scarce skilled manpower of the Universities among teachers and research scholars should be continued to be spent or utilised on research in the old framework with its low degree of relevance to the urgent needs of research for the community's development.

PROBLEM OF PROMOTING RESEARCH IN ECONOMICS AND MEANS OF ASSISTANCE TO SUPERVISORS AND GUIDES IN SOUTHERN UNIVERSITIES

By

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The problem of promoting effective research in Economics in the Southern Universities is many-fold. This paper attempts to approach this problem through focussing the attention of all concerned on the crucial issue of attracting the best of young men and women available in graduate courses in Economics for fruitful research in this area of Social Sciences in the Universities. Concurrently the discussion aims at throwing some light on the possible means of assistance to the research supervisors and guides in the Departments of Economics in these universities.

A few major variables which have a direct bearing on this problem are the following :-

(a) the curriculum and the course content of our graduate programmes in Economics.

(b) the image of the Institution and the tradition of research in the department.

(c) the inflexibility of supply of doctoral degree holders in terms of its quality to meet the potential demand for them.

(d) the inadequate infra-structure-physical facilities and financial resources mainly—to promote effective research in the area, and

(e) the nature of inter-personal relationship between the guide and the guided.

(a) **The Curriculum and the Course Content of our Graduate Programmes in Economics** :

Both are inseparable in relation to the calibre of our finished product, our M.A. degree holders. In some of our universities the curriculum is very impressive but the course content reflected by the syllabii is far from satisfactory. In many institutions though the syllabii might have been well conceived what is actually taught falls very much short of reasonable expectations. The credibility gap between promise and performance along these two dimensions has to be bridged if we are to make any headway in the direction of effective research. After all our M.A. graduates are the basic raw material for our research process and the finished product, the M.Litt. or the Ph.D.

There are many reasons for this credibility gap, but in brief the rigidities faced by the university Economics Departments to revise the curriculum and the content of the courses are a major stumbling block to real progress. Quite curiously the recent attempt at revision of Economics curriculum and content of the courses at the master's level in some of the Southern Universities was made to partially update them to maintain at least a respectable distance from those in advanced countries rather than to meet the changing demand conditions in the market for Economists

in India. Secondly the inadequate university faculty of Economics—in terms of both quality and quantity—stands in the way of any dynamism or improvement in imparting knowledge as demanded by the socalled changes in the curriculum and the content of courses. This problem is compounded by the archaic staff structure of the University Departments which is thoroughly unsuited to hold the best of mature teachers and scholars who are already in the teaching profession and to attract the best of young men and women available to the profession. How can we ensure a dynamic curriculum, sound course content and effective teaching and research if we do not have expertise in different areas of economics? How can we attract and maintain eminent scholars in the various sub-disciplines of Economics if the university department cannot afford any scope for advancement? Professor V. Shanmugbasundaram strongly feels that a faculty of 25 members including 10 to 12 specialists in different sub-disciplines of economics is the critical minimum for any worthwhile University Department of Economics. This will remain a pious hope unless the powers that be overcome their one professor fixation in University Economics Departments. This structural problem is at the root of all the ills of the Economics Departments in our Universities.

(b) The Image of the University and the Tradition of Research in the Department of Economics:

A University is not worth its name if it has not been able to sustain its image as an excellent centre of learning relative to similar institutions of higher education in India and abroad. However noble might have been our heritage from the ancient Nalanda and Tashila and whatever might have been the past glory of the time honoured Universities of Madras, Andhra, Mysore and Kerala in catering to needs of the British administration and the society of that period, our Universities should realize that their image cannot be sustained except through present performance in terms of their ability and capacity to meet the dynamic requirements of a developing economy. Can we hope to sustain the image of India on the basis the golden age of the Mauriyas, the Guptas and the Kushanas? The past image, however, has one advantage: it predisposes the well-meaning critic to be charitable towards our Universities, and instead of giving them up as irredeemable he rationalizes their poor performance blaming it on extraneous factors, political, administrative, linguistic and financial. This attitude, in turn, predisposes the university faculty towards complacency in matters such as performance standards in examinations, dedicated teaching and intellectual integrity. No doubt these extraneous factors have had a tremendous impact on university governance and policies but the effect on the faculty need not be so tragically spectacular: it has given rise to defeatism, despondency and delinquency. It is a small wonder, therefore, that public reference to the academicians as a class of people devoted to their duty and dedicated to the cause of educations is becoming less and less frequent. The national crisis of character seems to have overtaken our centres of learning. It is indeed sad that the universities have receded to occupy a second class status in the world of education yielding the prime of place to the new specialized institutes which are incapable of conceiving, by the very nature of their short-run goals, the real purpose of learning and education namely sustaining a vigorous intellectual atmosphere of questioning in a changing society.

The tradition of research in the Department of Economics is not altogether separable from the image of the Institu-

-tion, but can be thought of separately with all the drawbacks, inadequacies and shortcomings of the environment in which it functions. One of the structural factors retarding progress in research in the department is the University policy regarding the staff structure of the department already noted. A department may not have a number of specialists in each of the sub-disciplines of economics and yet an evaluation of the research tradition of the department is feasible. Even with one professor – one specialist setup, can we not raise the question of evaluating his performance over a period of time? How many students have obtained their research degrees in the past 10 years under his guidance? On an average how long a student has taken to complete his Ph. D. programme? In what areas have they done research and what has been the impact of their contributions? How well are they placed and progressing in their profession?

I have heard one of my colleagues in a Southern University quite casually remark that his students take 5 to 7 years to get their Ph.Ds. Of course we can rationalize on the basis of the calibre of the scholars, their motivation, inadequacy of physical facilities and financial resources, lack of agency support for collection of data and myriad other factors but yet in my considered opinion these can hardly be a rationale for the criminal waste of their time in our departments. As one of our senior colleagues present here has candidly observed, "frequently a sort of slackness on the part of both the supervisor and the part of both the supervisor and the student, in the initial stages (it may last for 2 to 3 years, I guess) is responsible for failure, misadventure and frustration".

I have no positive solutions to offer to get us out of this stupor in which we have the temerity to speak of our research tradition. Perhaps as a first step, we could prepare an evaluation report of our research activity of our department since Independence to help us to wake up to realities. As a second step, we may swear not to guide research in an area which is not our field of specialization or in which we have no expertise lest it may continue our tradition of producing Ph.D. thesis known for their breadth and not depth. I am sure an inventory of qualified faculty guides in different areas of economics is bound to show the sorry state of affairs in the Southern Universities but it is no excuse for any one to claim suzerainty over all branches of Economics. The queen of Social Sciences may seek courtiers and maids of honour amongst most of the Economists but not kings and consort unless they become an Adam Smith, Alfred Marshall, Karl Marx, or John Maynard Keynes. The suggested action may pave the way for making an effective demand for specialized faculty and fruitful research in our departments in course of time.

(c) The Inflexibility of the Supply of Doctoral Degree Holders in terms of Quality to meet the Potential Demand for them :

For reasons well-known, our M. A. degree holders, by and large, do not know Economics : they not only lack an understanding of the practical applicabity of the principles but their knowledge of economics even at the conceptual level is lamentably poor. Assuming we get some good M.A. students in Economics for Ph.D. research and we train them to become Ph.Ds where do they fit in our social Institutions? The demand for these research personnel could possibly come from the three sectors, academic institutions, government organization and industry. Somehow we still cannot get over the feeling that academic institutions are

the right place for them. The private and public sector industries and banking and other commercial organizations, government research establishments and planning commission do require economists. This demand is on the increase keeping pace with the economic development of the country. But this demand from those developing sectors is not for academic research personnel but for Economists or Economic Analysts meaning thereby research personnel in the Applied area with an equipment in quantitative techniques and knowledge of analytical tools. So long as we do not evince a geuine concern for the welfare of our Ph.D. students and train them in Applied areas in depth, they are not going to be sought after by these agencies. They would rather go to a Management school in search of an Economic Analyst than to come to us for gratification. Applied research not only requires a background in quantitative tools and techniques but "increasingly", to quote Dr. Malcolm Adiseshiya, "research Studies in the applied economic field are multi-disciplinary or inter-disciplinary". This presents a seemingly formidable problem to both the guides and the guided in applied economic fields. But there is no need for despondency on this account because each one of our Southern Universities is interested in starting a Management department, if they have not already done it, and both the faculty and students both at the Master's and Doctoral level can take advantage of the course offerings in these departments of Management. Courses such as Statistical Techniques, Operations Research, Production Management, Computer Simulation and applications, Game Theory, Decision Theories, Information Theories and Cybernetics are necessary for our economists to feel competent in the competitive employment market. If we do not do this we can't blame our brilliant M. A. student preferring an M.B.A. to Ph.D. in the conventional area of Economics. The effort to equip our students with knowledge in these quantitative areas is necessarily inter-departmental and the sooner we understand this inter-dependence the better will be our interests served in promoting effective economics research.

(d) Infra-Structure for Research in Economics :

Physical facilities and financial resources are the two most important components of the infra-structure for research in any discipline. Among the physical facilities a good library with courteous service is an essential pre-requisite for any creative activity. When we compare our University Libraries with those in American campuses we are nowhere in terms of the number of books, ready availability of current publications, number of periodicals and availability of back numbers, information regarding the holdings of books and periodicals in different libraries, inter-library loan system, documentation centre, publications such as readers guides, abstracts of books and articles in professional journals, micro films of dissertation and news-papers, reprint service and the latest addition to improve the rate consumption of knowledge, namely, the wonderful Xerox machines which enable a student to reproduce a page of a book or a magazine article in a trice at a nominal cost which no one will grudge.

Among the other physical facilities some of our colleagues have suggested the establishment of a computer centre in each university. This can be a long-term programme of action. To install a computer system is an expensive proposition and unless International and National agencies foot the bill and local industries help in the effort it is not going to be easy

to realise this dream. What is feasible is a modern computer centre in the capital city of the States with a numerical analysis unit in each university. This unit will consist of a puncher and a verifyer of computer cards, a counter sorter, a reproducer and a statistical machine to work out the cross tabulations besides a good number of automatic desk calculators for the departments. The cost of setting up this unit may be well within the means of our universities and if the university departments could keep this unit fully engaged it could be taken as a reliable index of research activity in the departments in the applied area.

A model computer centre is about to commence its operation at I.I.T. Madras in July 1973 manned by competent programmers and operators whose services will be available for researchers at a nominal cost. Such centres should come up in Mysore, Andhra and Kerala if they are not already there.

To improve physical facilities for research financial resources are needed. It is in this realm the Southern Universities are the weakest and an insignificant portion of the limited resources is allotted to Economics Departments. There is no use grumbling that a lion's share is taken by the Science and Engineering Faculty. They have a natural priority in the context of development of the country. How can we overcome this serious limitation? Perhaps I am dreaming when I make this suggestion. We know that consortium of universities in West Germany and the U.S.A. have helped the creation of the IITs in Madras and Kanpur through their generous aid in the form of equipment, technical - know - how and books and library facilities of the type mentioned earlier. Can we not form a consortium of Economics Departments of Southern universities to receive aid both from within and without, pool our resources and distribute them effectively in building up the physical facilities for research. We have been brought together by Dr. Adiseshiah and perhaps the feasibility of this suggestion can further be explored. This consortium can do many things.

(a) It can create a documentation centre by micro filming thesis and dissertation and making them available for universities.

(b) It can procure back - numbers of periodicals in original or in the form of micro films. The books which are out of print can be micro-filmed by this organizations. It can run a research journal/research news letter to disseminate research information.

(c) It can publish abstracts of books and periodicals published in India in the area of Social Sciences.

(d) It can establish in each university a non-lending text book library to cater to the needs of faculty and students in Economics.

(e) It can establish a library of Southern Universities for Social Sciences with all the modern facilities in a central place with a hostel attached for stay and study for faculty and students.

In the short-run certain inadequacies which centre around the meagre financial resources made available by the universities, the UGC and other sources have to be set right. Most of the suggestions given by our colleagues, especially Prof. M. Gajalaxmi, are to be implemented without any hesitation. The foremost among which is the stipend given to the research scholar. It has to be not less than Rs. 500 per month with TA and DA facilities when they go out for field work or other centres of learning in connection with research work. The institution of the system of research assistants and teaching assistants can be thought of. The system

of appointing Asscoiate Lecturers on a 3 year tenure at the end of which he has to obtain his Ph.D. has been successfully tried out in IITs. They teach 6 hours a week and devote the rest of the time for research under the guidance of a research faculty.

Poor financial resources limit our capabilities for fruitful research, and fruitful research will gain agency support, physical and financial; we have to break this vicious circle. However difficult may be the switch from academic to applied research it has to be attempted with the limit faculty and financial resources at our disposal. This is the only answer to the vexed question. We have to overcome our displinary egotism and undertake inter-disciplinary research which may involve inter-Institutional co-operation advocated by Professor R. Subramaniam of the Gandhigram Rural Institute.

(c) **The Nature of Inter-personal Relationship between the Guide and the Guided:**

Unfortunately none of our colleagues thought fit to throw any light on this vital area of inter-personal relationship without which effective communication between the supervisors and the scholars is impossible. It was equally unfortunate that a suggestion given by me to conduct a survey of the past Ph.D. students of the Southern Universities did not win their acceptance at the last meeting at Madras. Hence the discussion under this heading will be on general conceptual terms and on the basis of my personal knowledge of the experiences, motivation and expectations of the doctoral students in our universities.

Inter-personal understanding is possible only when the guide is genuinely interested in the welfare and well-being of the scholars and makes a sincere attempt to understand the research scholar from the research scholar's point of view. This will be facilitated only when the guide could have an adequate knowledge of the background, experiences and expectations of the scholars. A therapeutic relationship must exist between them to enable both to give open expression to their feelings without being misunderstood and to create a problem-solving, conflict-resolution atmosphere in the inter-personal situation.

This is easier said than done. Feelings are very difficult to be discerned and understood. Feelings are influenced by our perception, and perception is influenced by the assumption we make or have in perceiving an event, and these assumptions are influenced by our past experiences and our own self-concept. Oftentimes we do not understand our own feelings. To understand others' feelings is more difficult.

Carl R. Rogers, the eminent clinical psychologist of the University of Wisconsin has written elaborately on inter-personal relations in his sincere attempt to make all of us understand the difficult nature of inter-personal relationships. According to him feelings exist at three levels in us—the level of visceral experience, the level of awareness and the level of expression. In introducing the concept of congruence Roger postulates that what we are feeling at the level of viseral experience we must be aware of, and what we are aware of, we must be able to express or communicate. Perhaps the simplest example is the infant. If he is experiencing hunger at the physiological and visceral level, then his awareness appears to match this experience, and his communication is also congruent with his experience. He is hungry and dissatisfied, and this is true of him at all levels. He is at this moment integrated or unified in being hungry. He is a beautiful transparent being. Probably one of the reasons why most people respond to infants is that they are so completely genuine, integrated or con-

gruent. Every one of us knows where we stand vis-a-vis the infant. For an example of incongruence we must naturally turn to adults like us. Can we say with any amount of certainty that our research students know where they stand vis-a-vis their guides in the area of mutual understanding of feelings? When we tell our hosts that we had an enjoyable evening when actually we have felt bored and spent the evening frequently looking at the watch or yawning all the time, there has been incongruence between awareness of feeling and its expression. This incongruence is thought of as deceit or falseness or front, some of which are dictated by constraints such as social etiquette but not all. On the other hand, there can be incongruence between feelings at the level of visceral experience and awareness. Sometimes what we are experiencing viscerally we may not be aware of at all. For example take the man who becomes angrily involved in a group discussion. His face flushes, his tone communicates anger, he lashes his finger at his opponent. Yet when a friend says, "well, let us not get angry about this", he replies with evident sincerity and surprise, "I am not angry"; the other men in the group break out in laughter at this statement. Again, you may experience a feeling of "insecurity" at the visceral level but you may distort this feeling and admit it to the level of awareness as "anger". This way also there can be incongruence between experience and awareness. For example, when our research scholar, perhaps with no evil intentions, asks clarification in area where we feel insecure, instead of trying to understand him through listening to him correctly, we put all our defences up, stop listening and get angry. When there is incongruence between experience and awareness, it is usually spoken of as defensiveness or denial to awareness. When we have to be defensive (not open) we cease to listen with empathy i. e. introjecting into the thinking and feeling of the other person. When we don't listen the other person fails to have a positive regard for you. Communication stops, misunderstanding results, and inter-personal relationship is irrepairably damaged. Social psychologists have advocated a counselling orientation and non-directive interviewing technique to promote effective inter-personal communication and understanding. The hand-outs appended to this paper throw some light on this fascinating area of inter-personal relationships.

There cannot be harmony in inter-personal relationship without a matching of expectations between the guide and the guided. The Gurukula system of inter-personal relationship built on the basis of total dependence and submissiveness on the part of the disciples is thoroughly unsuited to the present environment. The authoritarian leadership approach is yielding place to the democratic or participative approach even in the traditionally bureaucratic organization. There is hardly any rationale for us to suffer from a hangover of this outmoded and anachronistic system.

Leadership is a concept based on acceptance of the role by the followers. The designated leader cannot be successful unless he is accepted as a leader by the followers. This acceptance has to be won over through the leader having a genuine concern for the welfare and well-being of the scholars. Furthermore, it is not important how good you think you are; it is more important how you are perceived by your research scholars. Perception is more important than even objective reality.

A little soul-searching or introspection may reveal the basis for the perception of our scholars. Burdened with administrative work, irrational teaching load, avoidable committee work and extra-

-curricular activities and above all his active role in university politics and in setting up power centres, the guide hardly finds time to discuss with his research scholar or promptly go through the reports he has prepared for his scrutiny. His inadequate technical competence in the area of work of the scholar, his casual attitude to research, the utter disregard for the time and energy of the student, and absence of responsibility for his placement, have all conspired to vitiate the inter-personal relationship between the two.

The inter-personal incompetence of people in responsible positions accounts for the malady in another respect also. We glibly talk of inter-disciplinary collaboration and inter-institutional co-operation. Even intra-disciplinary collaboration between colleagues in the same department is hard to come by in our institutions. Not only are we reluctant to consult our colleagues in the same department in regard to a problem posed to us by our scholars but will not tolerate the research scholar approaching our colleagues for help and guidance. This possessive spirit is effeminate quality born out of a sense of insecurity and inter-personal incompetence. You can imagine how difficult can be an attempt on the part of a research scholar to change his guide. In this atmosphere no wonder he is faced with the Hobson's choice.

A healthy inter-personal relationship can effectively motivate the scholar to do a competent job. It it imperative that in our universities the guides develop a competence in inter-personal relations if they want to cleanse the present atmosphere wherein the scholar talks well of his professor in his presence and ill of him in his absence.

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C—REPORT AND SELECTED PAPERS FROM SEMINAR ON PLAN IMPLEMENTATION

RAJAJI HALL, MADRAS

OCTOBER 25 AND 27, 1973

REPORT ON SEMINAR ON PLAN IMPLEMENTATION

The Seminar on Plan Implementation, as a follow-up of the recommendation of the 1972 Seminar on the Techniques of Perspective Planning (See Vol. II No. 11 page 43) was held on Friday and Saturday, October 26 and 27 in the Rajaji Hall. It was organised by the Madras Institute of Development Studies and the Institute for Techno-Economic Studies for the State Planning Commission and the Administrative Reforms Commission, Tamil Nadu. The Seminar brought together planners, administrators, academicians, businessmen, district and panchayat union leaders and voluntary agencies. It started the process of discussing and understanding the problems of Plan Implementation and adopted a declaration appearing at the end of this report, which makes a number of suggestions to the Union, State and local authorities for improved and fuller execution of the State's Fifth Five Year Plan.

Opening the Seminar, *Thiru T. A. Verghese*, Chairman of the Administrative Reforms Commission, called attention to the relative success of the State through its Plan Implementation in increasing production. The major failure in plan implementation has been in the distributive sphere and the area of social justice. The place of the princes and feudal zamindars has been taken by a class of new rich industrial and commercial tycoons who are accumulating black money by evading taxes and setting up a parallel economy, outside the controls of the plan frame. He therefore called for concentrating on agricultural development and small industries as a means of implementing our social justice commitment. The Chief Minister, *Dr. M. Karunanidhi*, Chairman of the Planning Commission, inaugurating the Seminar stated that the welfare of the common man is the goal of planning and implementation must concentrate on the redistributive mechanism to combat the State. For this the administrative system must be changed to become the harbinger of change. Decisions must be made on available information as waiting for better information will bring into play the prin-

ciples of the better becoming the enemy of the good. I would rather, he said, have my officers to take the majority of the decisions right and quickly than all of their decisions right but slow. The administration is built on checks and balances and multiple clearances involving the Union Government. A pre-condition for effective implementation of the Plan with the major objective of eradicating poverty is State autonomy. He concluded by proposing a thoroughgoing decentralisation in the State through the setting up of District Rural Development Corporations or Authorities in each District under the Collector with the powers of raising local resources and being assigned specific taxes. *Thiru M. G. Raja Ram*, Deputy Chairman, State Planning Commission as President of the Seminar thanked the Chief Minister for his clear directive and promised that the Seminar would work out in some detail his far reaching suggestion for a District Rural Development Corporation/Authority for each district. He called attention to the good record of the State in its implementation of the financial targets of every plan and stated that the task of the Seminar would be to reach conclusions on the rate of execution of programmes and projects, the machinery and procedures for education, the monitoring and evaluation of programmes and the participation of all groups of people in implementation.

The second session considered the first three working documents, the first from the State Planning Commission, the second by *Dr. B Natarajan* (Chairman, Institute for Techno-Economic Studies) and the third by *Thiru S. Venkitaramanan* (Secretary, Finance Department). All three documents dealt with the definition of the problem of plan implementation and the cause for its lacks and lags. *Dr. Natarajan's* paper called attention to the various indicators of poor plan implementation and traced its causes to the interest constraints in a system of democracy which makes it difficult to take decisions speedily. Implementation comes up against particular interests as in land reform—Centre-State relations and political compromises further blunt plan implementation. There are serious shortages of expert staff in our growing public sector undertakings. The continuing controversy between the generalist and the specialist is still unresolved, the treasury control approach and the centralisation of implementation authority are negative factors. Tamil Nadu's beginning with District Planning cells might provide a break-through for mere effective implementation. *Thiru Venkitaramanan* called attention to the political, agro-climatic and administrative constraints to effective implementation. The administrative style is a hindrance to full implementation. The budget cycle which does not coincide with the programme execution rhythm, the lapse doctrine, the audit and accounting procedures, the innumerable clearances required and the limitation of the principle of maximisation of benefits all delay proper and full implementation. There must be a system developed to accept decisions going wrong if we are to have quick decisions and not rely on the safety of no decisions. In the discussion which followed these presentations, *Thiru S. K. Ekambaram* (Professor of Statistics, Madras Uuiversity) called attention to the lack of an information system which holds up implementation. He proposed a sequential approach to replace the present time series approach with full but guarded use of computer services. *Dr. V. Shanmugasundaram* (Head of the Department of Economics, Madras University) called attention to the good financial implementation record of the State. Implementation lags are due not only to the Government but to the business community also. He endorsed the proposal for financial and budget reform and called for an educational effort in the rural areas to make

implementation speedy and effective. *Thiru D. K. Oza* (Secretary, Social Welfare Department) referred to the new data opening up new possibilities which came up when a project is being executed. This calls for taking a fresh look and approach to the Plan. *Thiru S. R. Jayavelu* (Director of Statistics) pointed to the intangibles involved in implementation and to the over achievement of financial targets stemming from inflation and increased costs. This in turn may call for successive plan revisions. *Thiru P. Sabanayagam* (Chief Secretary to Government) referred to schemes being rushed through because costs are going up. He asked that the Seminar clarify what is needed for implementation in terms of personnel, finance, materials and government approval. *Thiru T. V. Venkitaraman* (Director of Fisheries) felt that employment generation should be one of the indicators of good implementation. He called for technical skills and training for Plan Implementation and felt that the political leadership had only responsibility for plan policies but also for plan formulation and implementation. *Thiru T. V. Natarajan* (Business leader) stated that bad implementation means gross misuse of public funds. There is need for regular flow of information to the rural areas and a radical change in an administrative staff. To him implementation was improvement in the quality of life. *Thiru J. S. Bhango* (Managing Director, TNWAD) referred to the basic problem of centralisation and over-concentration of power leading to slowing down of decisions at all levels. He also traced the gap between pledges and performance to our political system. *Thiru P. C. Matthew* (Administrator) stated that implementation defects can be measured in terms of financial spending at constant prices and the productivity of investments. Evaluation is the one means of identifying defects in implementation. *Thiru K. K. Nambiar* (Engineer) referred to the importance of using experts in implementing programmes and the delays caused by lack of research and up-to-date knowledge. *Thiru K. Mahalingam* (Director, Shakti Sugars) referred to the great delays in announcing budget figures to the rural areas and proposed that I.A.S. officers should be given technical training and engineers administrative training. There should not be frequent transfers of project officers.

The highlights of this session summarised by *Dr. Malcolm S. Adiseshiah* (Director, Madras Institute of Development Studies) were: The whole area of Plan Implementation is new and has no accepted body of knowledge to guide the Seminar. There was an agreement on the indices of the problems of implementation as being on the one hand non-achievement of the physical targets of the Plan and serious failures in implementing redistributive programmes and achieving social justice. The causes for implementation failures are: (a) a function of the system of political democracy which leads to political interference and compromise documents, (b) personnel shortcomings including lack of expert staff, lack of training and too frequent staff transfers, (c) organisational gaps which include lack of an information system to deal with new factors, the budget system and the lapse doctrine, the limitation of the principle of maximisation of profits and the problem of protecting the decision maker when his decision goes wrong and (d) the system of centralisation of powers as between the Centre and the State and as between the State and the local authorities.

The Third and Fourth Sessions which dealt with machinery and procedures started with a presentation by *Thiru P. Sabanayagam* who asked whether machinery for plan implementation did not refer to the machinery and procedures for

executing of all plan and non-plan projects in the State. The responsibility for supervising implementation is that of the Council of Ministers who oversee the progress of implementation, the short falls and issue directives to corrective action. He called attention to the growing burden of co-ordination and implementation on the Secretariat and asked whether the State Planning Commission should be also the executive organ implementing the Plan. He raised the question of implementation at the district level and referred to the Chief Minister's suggestion for a District Rural Development Corporation. He referred to the many delays caused by the business community which delayed the issue of licenses by the Union Government. But he called for speed and simplification of procedures at the State level. *Dr. D. K. Bose* (Head of the Economics Research Office, Indian Statistical Institute, Calcutta) in his paper called for a restructuration of planning procedures and machinery to improve implementation. Planning should start at the district level, move on to the regional level, next to the State level, and in some cases like water and power to the zonal level, on to the national level. The National Plan should be a statement of policies and strategies and a co-ordinating and integrating instrument of these other plans. The State should be informed about central projects to be located in their territory so that they may be properly programmed and helped by the State implementation. There is need for expert staff (in management and accounting) and technical project staff to improve implementation. *Thiru V. Shiva Kumar* (Collector, Coimbatore) introducing his paper referred to the political and administrative constraints in plan implementation and the poor record of execution and co-ordination at the district level. He proposed that every district should have an annual operational district plan and that the District Rural Development Corporation should be responsible for supervising, promoting inter-dependence of projects and co-ordinating Plan Implementation in the district, raise local taxes and resources and be responsive to the District Development Councils. In the discussion which followed, *Dr. G. Rangaswami* (Vice-Chancellor, T. N. A. U.) emphasied the importance of recruiting and training expert staff to improve project implementation. *Thiru K. K. Nambiar* proposed an advisory council of experts to introduce innovative technology in implementation. *Dr. C. Ramdas* (Professor of Commerce, Madras University) urged the use of modern management procedures at all levels in plan implementation. This would involve modifying existing procedures, using task forces and ad hoc groups, and performance measurements. *Dr. M. Abel* (Professor of Political Science, Madras Christian College) stated that in view of the growing importance of our development programmes there is need for a separate development cadre for full and proper plan implementation *Thiru K. Madhava Sarma* (Collector, South Arcot) referred to the district level programmes such as schools, roads, agriculture, soil conservation, fishery and suggested that these should be embodied in the annual operation plan. The responsibility for implementation should be the technical departments, *Thiru P. Sabanayagam* explained the setting up of the first two District Rural Development Corporations in Dharmapuri and Ramanathapuram with aid from the DPDA Union programme. *Thiru S. K. Ekambaram* strongly urged that there should be a single administration at the district level. *Thiru P. C. Matthew* clarified the distinction between development projects, plan projects and non-projects and stated that there should be a single administrative staff for implementing development projects. *Dr. V. Shanmugasundaram* referred to the possibility of the District Corporations being able to

mobilize resources for the implementation of the district plans from the State Investment Trust. *Thiru V. Shiva Kumar* agreed and stated that they could act as bankers to the Panchayat Union Council. *Thiru S. Agniraju* (Chairman, Tirupparankunran Panchayat Union) called attention to the problems and difficulties of the Panchayat Unions in Plan Implementation, their lack of resources, the drain of their manpower from the rural to urban areas. He asked whether the District Development Council should not be made an executive body as in Andhra Pradesh. He pleaded that all planning should be based on rural realities and that there should be an implementation cell in every district. *Thiru A. R Subbiah Mudaliar* (Member, Administrative Reforms Commission) pointed to the constraints in Plan-Implementation in the rural area. Villages have no resources, only cities have them. There is no consciousness as to planning or plan implementation in the rural setting. The District Perspective Plans were not the subject of consultations with the Panchayat Unions or District Development Councils. This is regrettable. The Panchayat Unions need specialists, not only revenue officers. The District Collector should act as a link officer in district plan implementation.

The highlights of this session summarised by *Dr. Malcolm S. Adiseshiah* were : (a) the agreement that Plan Implementation referred to the execution of all the development programmes of the State, (b) the Council of Ministers and its Subsidiary Organisations should review periodically plan implementation, (c) Planning procedure should be restructured so that first district plans are developed along with regional plans leading to State Plans. In some areas like water, power and perhaps higher education, the Southern States Zone might develop Zonal plans. Central projects to be located in a State should be notified to it so that it may be programmed in the State Plan and assisted in its implementation. The resources for the State Plan should be fixed by legislation. The National Plan then would be a statement of national policies, strategies and objectives as established by the National Development Council and a co-ordinating and integrating instrument of plans established at the other levels, (d) Planning should be decentralised and elected representatives of the people should be associated with plan implementation at every stage. Such decentralised planning involves the establishment at the district level of the annual operational plan. The drafting of this plan should be the responsibility of the District Rural Development Corporation or Authority to be established in each district. Its functions, membership secretariat, finances and relations to the Panchayat Union and District Development Council should be further worked out in detail by the Government in co-operation with the State Planning Commission.

The fifth Session was devoted to the consideration of administrative reforms needed for expeditious and improved plan implementation and to a system of monitoring and evaluation. *Thiru V. Krishnaswamy* (Member-Secretary, Administrative Reforms Commission) introducting the paper on Administrative Reforms pointed out that Administration is a means to an end and to be meaningful must be based on objectives. The major administrative reforms needing attention now are : (1) to integrate the Secretariat and the technical department into a single unit, (2) to reform financial administration so that the Control System is replaced by procedures for speedy decisions and the avoidance of infructuous expenditures, (3) to bring together the department of agriculture and the Panchayat Development Officers under a single authority and

(4) to speed up procedures involving small industries. He also made proposal for the revival and effective functioning of Panchayati Raj institution. *Thiru K.S. Sivasubramanyan* (Member, Administrative Reforms Commission) introducing his paper on Monitoring and Evaluation defined monitoring as the continuous checking of the rate and nature of execution of projects and evaluation as the periodic assessment of project results in relation to the objectives. For this purpose he proposed (a) a major reform in the accounts system calling for an intensified training programme (b) improved performance budgetting, (c) the computorisation of implementation using the data processing centre and (d) establishing a core sector including agricultural production, industrial production, power generation and irrigation potential which should be the subject of evaluation by the department and the government. In the debate which followed, *Thiru M. G. Raja Ram* asked whether the State Planning Commission should not also be vested with the responsibility for monitoring and evaluation. *Thiru K. K. Nambiar* proposed that the Highways Department should over a period of time and proper phasing be broken up starting with the formation of a department of minor irrigation. *Thiru Namasivayam* (Chief Engineer, Irrigation) agreed with the setting up of such a department and *Thiru Ambrose* (Chief Engineer, Buildings) felt that there should be two departments one dealing with major and the other with minor irrigation. *Thiru M. N Rajendran* (Secretary, P.W.D.) agreed that the time had come to establish a separate department of minor irrigation. *Thiru J. S. Bhango* pointed out that the merging of the Secretariat with the department was a sound proposal. He however had doubts about the proposal to bring together the department of agriculture with the Department of Panchayat Development as they had quite different purposes. *Thiru K. Chandrachoodan* (Collector, Ramanathapuram) suggested that training programmes should cover not only I.A.S. and P.C.S. Officers but also B.D O.'s who should be recruited from all the six services as in the past, particularly co-operative, agriculture and revenue. He also stated that the secretary to government should be a generalist as his main function is to explain to the ministers the technical problems involved in every decision. *Dr. B. L. Maheswari* (Director of Research, Administrative Staff College, Hyderabad) emphasised the importance of training, the need to appoint the best man for each job, to maintain Key Staff on the project for its duration and to separate administration from overall planning. *Thiru K. Madhava Sarma* warned against too much independence to the bureaucrat, proposed that the Finance Department be responsible for evaluation and expressed opposition to the merging of the Department of Agriculture and the Department of Panchayat Development. *Thiru V. S. Ekambaram* clarifying the concept of monitoring and evaluation, warned against inexpert use of computer service and proposed that monitoring and evaluation be a responsibility of the State Planning Commission. *Thiru J. R. Jayavelu* stated that evaluation of performance should be a continuous and continuing technical operation. Planning should be based on such evaluation. *Thiru S. V. Chittibabu* (Director, School Education) pleaded for planning to begin from the grass roots and for the strengthening of District Planning Cells. Increasingly decision making and problem solving should be at the district level for which the district officers must be trained. Given the vast investment in education, there is need for evaluation and monitoring of the work of the department of education.

The highlights of the session as summarised by *Dr. Malcolm S. Adiseshiah* were : on administrative reforms : (a) the

need for continuing reforms through a Standing Administrative Reforms Commission or department, (b) establishing a unified unit of the Secretariat and the department, (c) co-ordinating the work of the Department of Agriculture and the Department of Panchayat Development, (d) reforming the budget control system, (e) setting up a department of minor irrigation and (f) organising a programme of training for all officers. On monitoring and evaluation (a) the four proposals made in the paper on the new accounting system, performance budgeting, computerisation and evaluation of a core sector were accepted along with the responsibility of both the departments and the State Planning Commission to undertake monitoring and evaluation activites and report to the State Development Committee.

The sixth session which was devoted to participation in implementation considered four papers. *Thiru N. Mahalingam* presenting his paper on the Industrial Sector called attention to the importance of identifying new entrepreneurs, the difficulsties faced by new enterprises in the absence of the managing agency system in contributing more than 5 per cent of the equity capital and the need for setting up new institutions to meet the shortages in industrials raw materials and in infrastructure. *ThiruA. R. Subbiah Mudaliar*, presenting his paper on the Agricultural Sector suggested that the distinction between delta and non-delta areas should be maintained. His other suggestions referred to water management, soil mapping, desilting, provision of pure seeds, grain banks and intensive use of co-operatives, SFDA's and MFAL's. *Dr. S. Sivasubramanian*, (Head of Department, Public Rural Administration, Gandhigram) presenting his paper pointed to the innovative potential in implementation of the voluntary agency. They could act as catalysts and generate new programmes, new means of participation and action and mobilise people's enthusiasm and response for governmental programmes. They could the entire training responsibility in sharpening the skills of development officials and community leaders. They represent an immense and valuable resource which can make a big difference to effective implementation. They are very low cost operations which can and should be fully funded by government. The one essential for their creative operation is that they should not be under governmental control. *Dr. V. Shanmugasundaram* in his paper called attention to the rich resources which the Universities represent in implementation. To use them fully it is necessary not to create new institutions but to use existing ones. Academic autonomy involving freedom of thought and research is essential for universities to contribute to implementation. They can provide experts, the data requirements and research results to ensure sound execution. The University Students are waiting to be used. What universities need is larger financial resources particularly in the Social Sciences. Initiating the debate on participation in implementation *Mrs. Mary Clubwalla Jadhav* (Chairman, Guild of Social Service, Madras) called for a strong voice for voluntary agencies in Plan implementation. Now that the State has established a ministerial port-folio and a directorate of Social Welfare with large funds, voluntary agencies can be adequately funded and can work effectively. They can ensure continuity and serve the common man. It was a pity that the State Planning Commission did not associate voluntary agencies fully in the formulation of the Perspective Plan. This can be corrected at the execution stage. There is need for simplifying procedures in the Grants Scheme for Voluntary Agencies and to strengthen existing schemes and

investments before starting new ones. Voluntary agencies should not be funded for more than 60 per cent of their financial needs to ensure that they too raise their finances. *Dr M. Varadarajan* (Vice-Chancellor of Madurai University) expressed complete agreement with Dr. Shanmugasundaram's paper on Universities' Participation in Implementation. They needed resources for their research contribution and could organise a wide compaign to ensure success of the Plan. *Dr. B. Natarajan* (Chairman, Institute for Techno-Economic Studies) referred to the mobilisation of our idle manpower as being the major instrument for implementation. The co-operatives, the community development programme and the many agencies should be mobilised for effective evaluation. The socialist countries show how the cadres of the political parties can be used as an effective instrument of mobilization. *Thiru A. R. Subbia Mudaliar* emphasized the importance of water utilization and management which could effect great savings in the per hectare cost of cultivation. *Dr. G. Rangaswamy* stated that at the farmers' level there is need for co-ordinated farm planning comprising crop cultivation, animal husbandry and farm forestry. Good execution calls for a package of timely inputs—seeds, water, fertilizer, pesticide and tools. There is need for devising simple labour-saving tools. The conjunctive use of water suggests that we should be cautious in separating the department of minor irrigation from the department of major irrigation. In view of the fact that 55 per cent of our farming is rainfed we need to concentrate on ground water irrigation and promote the production of nutrient foods. A special effort is needed to promote sericulture and the cultivation of silk worms. To ensure sound agricultural implementation, the Tamil Nadu Agricultural University is developing as a need based University to meet farm needs. *Dr. B. Natarajan* did not feel that money incentives are needed for managing directors. They should rely on the fact that they are trustees of the people and there should be an expansion of the joint sector concept. He agreed with Thiru Mahalingam about not requiring more than 5 per cent of the equity capital from new enterprises because it is the nationalised banks which should provide the capital for such undertakings. *Thiru K. K. Nambiar* referred to materials shortages, particularly steel and cement which seriously affect Plan Implementation. He stated that Tamil Nadu will have to increase its cement capacity by 1.2 million tonnes during the Fifth Plan and called for a construction materials and assessment cell in place of the raw materials bank proposed by Thiru Mahalingam in his paper. The use of soil cement and ferro-cement should be actively promoted and quality control of cement instituted. *Thiru V. Krishnaswamy* raised the question of the reality of the stake of the entrepreneur in his enterprise if 95 per cent of the Capital is provided from out side. *Thiru T. V. Anthony* (Director of Agriculture) proposed that Agro-industries should be used for promotion of particular crops with guaranteed floor prices. He expressed agreement with the proposal for grain banks but warned against crop insurance. He drew a distinction between fundamental research in agriculture which is the function of the Agricultural University and applied adaptive research which is the function of the Department of Agriculture *Thiru R. M. Ramaswamy*, (Chairman, Panchayat Union, Rasipuram) referred to the difficulties in raising taxes in the rural areas and the inadequate provision for rural development in the four plans. Education implementation calls for better buildings. There is need for effective implementation of small industries and cottage industries. The water and sanitation needs of the Panchayat are not being effectively met. The

Panchayat Union should be used as the effective instrument of implementation.

The highlights of this session summarised by *Dr. Malcolm S. Adiseshiah* were: (a) The participation of the industrial sector in implementation which called for (i) identification of new entrepreneurial talents (2) new businesses being required to contribute only 5 per cent of their equity capital and (3) making institutional arrangements for overcoming shortages in essential and infrastructure. (b) The participation of the agricultural sector which called for (1) co-ordinative planning at the farm level (2) promotion of new crops (3) intensive use of co-operatives, SFDAs and MFALs. (c) The participation of Universities and Research Institutions which called for adequate financing of the R & D programmes particularly in the Social Sciences and (d) The participation of voluntary agencies which called for the generous funding and their freedom from governmental control.

The Seventh Session which was devoted to training for Plan Implementation began with *Dr. N. L. Maheswari* presenting his paper which referred to the many achievements in training but limited results. Nine out of ten civil servants do not have the time for training. Only 10 per cent of an officer's skill is obtained from institutions and 90 per cent on the job. There is need to plan for training, related to specific needs so that it may have programme related relevance. We should be sure that people who go for training want to learn and that their later experience is fed back into the system. There is need to revise the reward system for learning. There is no need to create new training institutions as the existing ones have unused capacity and with small investments even the fully used ones can be expanded. It is time that we stopped treating academicians who enter development administration as second class citizens. We should now develop our own training materials and emphasize specialised training. *Dr. A. Ramaswamy* (Head of the Department of Economics, Annamalai University) emphasized the changing training needs of bureaucrats. Their training should enable them to define goals precisely, make decisions speedily and measure results accurately. There is need to develop on information system and concentrate on leadership training. The bureaucrats must be trained in the art of self criticism and post graduate education should be made available to development administrators. He proposed that the Institute for Techno-Economic Studies and the Madras Institute of Development Studies should organise training programmes for planners. *Thiru K. Venkatasubramanyam* (Secretariat, State Planning Commission) referred to the need for training managers and summarised the proposal for the Institute of Management for the State made by the State Planning Commission and approved by the government. *Dr. B Natarajan* emphasized the need for training in Economic Planning. This calls for developing special courses and institutions. *Thiru T.V. Natarajan* agreed with the suggestion and proposed that feed back systems should be built into such courses. Provision must be made for the anti-training allergy of people in devising training programmes. *Thiru K. Madhava Sarma* stated that civil servants needed the kind of training in economic planning outlined by Dr. Natarajan. Training should also create an interest in the job. *Thiru T. V. Venkataraman* stated that civil servants need to be trained in various skills and management techniques. They needed to be trained in survey making and data processing. He was not sure that the existing institutions had either the surplus capacity or the right atmosphere and tradition to provide this new type of formation. *Thiru S. V. Chittibabu* called attention to the fact that planning, imple-

mentation and evaluation is a single process. The State's education on which the government spends annually Rs. 100 crores needs more than any other sector trained officers. The teacher is a planner and an implementer, is an innovator and resources creator. The training of educational administrators must therefore be comprehensive. It must be highly technical enabling the staff to operate a simulation model, it must be broad to enable the officers to live on their resources in the district and in the rural areas.

The highlights of this session summarised by *Dr. Malcolm S. Adiseshiah* were: (a) agreement on the importance of and obstacles to training (b) the timeliness of the Institute of Management for the State (c) the need to devise special training course in economic planning and administration, particularly by the sponsors, the Madras Institute of Development Studies and the Institute for Techno-Economic Studies and (d) the limitation of training vis-a-vis motivation which is an act of faith.

The eighth and final session began with the presentation of the Draft Declaration as the recommendation of the Seminar by *Dr. Malcolm S. Adiseshiah.* The ten paragraphs of the draft were discussed, reviewed and approved and the Declaration adopted unanimously by the Seminar (See Vol. III page 734). *Thiru M. G. Raja Ram,* president of the Seminar in his valedictory comments called attention to the declaration which had been unanimously adopted and which it was now incumbent on all members to carry out. For this the most heartening feature of the Seminar was the free, frank and fearless self criticism which every member brought to the deliberations in the Seminar and that is what the Seminar has been about—to recognise our shortcomings and devise instruments which we can use to overcome them in the onerous task entrusted to the members, namely the Implementation of the Plan.

IMPLEMENTATION

PROBLEMS AND CONSTRAINTS

By

THE STATE PLANNING COMMISSION, MADRAS

1. A Plan is as good as its conception ; more decisively, it is as successful as its implementation. Implementation involves the rate of execution, the manner of execution and the persons who are drawn into and are involved in the execution process.

2. The rate of execution is usually measured by the extent to which the physical and financial achievements approximate to the respective targets. From this standpoint, the Fourth Plan record of the State is a mixed one. In terms of financial achievement in practically every sector the accord has been satisfactory. The record in physical achievements is, however, not satisfactory. How far was this over achievement of financial targets and non-attainment of physical targets due to the inflationary situation in the Fourth Plan period? According to the *Fourth Plan Mid-term Appraisal* document of the Union Planning Commission and as corrected by the document, *Tamil Nadu: An Economic Appraisal*, 1972, the State's target for Agriculture and Allied activities for 1969 - 70 was Rs. 1,685 lakhs, while the actual expenditure was Rs. 1,776 lakhs; for 1970 - 71, the figures were Rs. 1,572 lakhs and Rs. 1,735 lakhs and for 1971 - 72, Rs. 1,832 lakhs and Rs. 1,884 lakhs respectively; the target of expenditure on Fisheries was Rs. 137 lakhs for 1970 - 71 while Rs. 167 lakhs was the actual expenditure. For 1971 - 72, the target was Rs. 150 lakhs and the expenditure, Rs. 172 lakhs; on the irrigation programme, Rs. 13.7 crores was the approved outlay and Rs. 18.41 crores was the expenditure for 1969 - 70. On the other hand, against the physical target of production of foodgrains of 79 lakh tonnes for the Plan period, the actual production for 1970 - 71 was 70.24 lakh tonnes and 72 lakh tonnes in 1971 - 72; for mechanization of boats, against the target of 250, the 1969 - 70 achievement was 157; for the sowing of quick-growing species of plantations, against a target of 12,000 hectares for 1969 - 70, the physical achievement was 2,480 hectares. The All-India Picture is even more depressing. In a report submitted to the Lok Sabha in July, the Minister of Planning states that the physical achievements' shortfalls at the end of the Fourth Plan will range from 55% for phosphatic fertilizers, 41.9% for copper 33.1% for steel, 18.7% for cotton, 17.3% for power to over 10% for every other item.

3. The manner of implementation of the Fourth Plan projects has involved a degree of centralization and lack of co-ordination, which are incompatible both with the geographical vastness and the overly large population of the Country and the desirability of meeting the needs and requirements of each locality. Centralization and some overlap of functions characterise Plan implementation in the relationship between the Panchayats, Blocks and Districts on the one hand and the Departments of the State Government on the other and as between the Departments of the State Government and the Ministries including the Planning Commis-

sion of the Union Government. The State Administrative Reforms Commission, in its Report on Small Industries, calls attention to the fact that an entrepreneur has to clear with eight agencies and departmental officers, to cope with overlapping and in some cases, outdated norms and negotiate with offices at different levels in establishing a project. The Programme Evaluation Organization of the Union Planning Commission in its study of minor irrigation problems refers to the lack of delegation in the making of disbursements to the agency which is responsible for on-the-spot execution. It also refers to the undue delay in the sanction of minor irrigation loans, due to departmental rivalries in respect of power, authority and patronage. Sometimes, it states, information on the location of works, being carried out by one agency, is not even known to the other. It also refers to the serious handicaps of the Panchayats due to inadequacy of funds and lack of trained personnel. The report of the sub-committee on simplifying licensing procedures in the State refers to the current procedures in the industrial field which called for separate and time-consuming reviews by a number of Union Ministries to obtain a letter of intent, a capital goods import licence, clearance by the MRTP Board under the Monopolies Act, the approval of the Foreign Investments Board, the Economic Affairs Committee of the Cabinet, the ICICI feasibility study, the import licence from the Chief Controller of Imports and Exports, the Reserve Bank's approval to open a line of credit, by which time the particular line of credit may have dried up. A recent study carried out by the Union Ministry of Industrial Development reports the following incredible facts in the functioning of our licensing procedures. In place of the 90 days within which an industrial licence application is to be cleared under the rules framed under the Industrial Development and Regulation Act of 1952, the conversion of a letter of intent into an industrial licence takes 162 days, even for wholly export-oriented industries it takes 181 days, the issue of a letter of intent takes 390 days, approval of foreign collaboration 311 days, and the clearance of a capital goods licence 372 days. The waiting period for a prospective entrepreneur ranges from 598 to 978 days (2-3 years). At the time of study, there were more than 1,000 cases pending before the capital goods licensing committee, 2,000 cases cleared by that committee were awaiting issue of import licences and 280 awaiting clearance for foreign collaboration. The loss in money terms of this functioning is an increase in foreign exchange costs of 20–80 per cent amounting to Rs 110 lakhs during the long delays. At least Rs. 35 crores is lost every year. The Planning Commission has received a report of a minor irrigation project drawn up after careful consideration of all the technical and local factors by the Chief Engineer of the State and the district engineers which is being examined at great length and with considerable loss of time by less knowledgeable technical staff of the CPWD which is itself headed by a Chief Engineer. On top of this, this elaborate procedure is purely for technical approval of the project, not for financial authorization.

4. The manner of execution also involves assessment of results and evaluation of quality which, in the absence of a monitoring device and evaluation machinery of the Plan projects, makes it difficult to form a judgment. It makes it impossible to correct errors in time and speed up execution where necessary.

5. The implementation also depends on the persons participating in the entire decision-making process from the pre-planning to the completion of the project execution stages. This popular partici-

pation in Plan implementation is also important because it can meet our leadership and managerial needs at various levels and can make for a quantum jump in the process of development. Here again, the State has not developed the Plan ambiance and ethos needed for effective execution. It should be admitted that the experience of the Community Development Programme and that of entrusting the Panchayat Unions with primary school administration indicate the difficulties in ensuring popular participation in implementation. On the one hand, the local people must have a stake in the Approved District Plan Projects and on the other, sufficient resources should be available to make planning and implementation at this level realistic.

IMPROVED IMPLEMENTATION

6. Against this background, it is proposed that, in the Fifth Plan,

(*a*) Plan implementation of District Plan Projects vest essentially with the district authorities;

(*b*) Scrutiny and approval of the project procedures of the Departments be streamlined and expedited;

(*c*) the Departments of the State Government be made responsible for approval of projects and supervision of execution in sectors which are within the competence of the State, without involving prior scrutiny and approval by Union Ministries and the Union Planning Commission; and

(*d*) a monitoring and evaluation machinery be set up in the State Planning Commission to monitor the progress of implementation, evaluate project results and offer continuous advice to both the departmental and district authorities.

DISTRICT IMPLEMENTATION

7. On the basis of the Approved Annual District Plans (drafted by the districts and approved by the Government), the District Collector should be made responsible for the implementation of the projects in the Approved Plan. Any change in any approved project, which does not change the objective and is within a financial limit of Rs. 10,000, can be approved by the Collector. All other changes should have the prior approval of the Government. The State Planning Commission will act as technical adviser to the Government on this matter. Such district implementation of projects will require that the Collector be equipped with the necessary accounting machinery in order that he may both be accountable for the district allotments and be cognizant of the progress of disbursements. This may also involve developing at the State level a system of district allotments in the State Budget procedures. Further, the consequences of decentralization for staffing in the District Planning Offices and the technical offices at the district level should be worked out by a Committee of Government and should be met as far as possible by transfers from the Departments to the districts.

DEPARTMENTAL PROCEDURE

8. The Department should concentrate on policy, supervision and inspection of projects, leaving project execution in the Approved District Plan to the district authorities. It should act as the technical adviser and inspector in all matters to the district officers. This will mean that the departments must staff themselves with policy-makers, supervisors, co-ordinators and inspectors and delegate the responsibility for the execution of District Projects to the district authorities. This is a rather far-reaching reform in which there will be no files on the execution of such District Projects put up to the Department for approval. It will involve the accountability of the District Collector and the district staff for District Plan Project

execution to Government and the Minister concerned. It will also call for streamlining the procedures for scrutiny and approval of the Annual Plan so that they are completed within one month and the approval of the projects within one week.

DIVISION OF RESPONSIBILITIES BETWEEN CENTRE AND STATE

9. On the basis of the approval of the Fifth Plan and the Annual Plan by the Union Planning Commission, which should not involve the approval of the projects in sectors within the competence of the State, the Departments of Government should be entirely responsible for the supervision of execution and for programme and project approvals where needed. The present procedures under which such projects are subject to scrutiny by several Union Ministries and the Union Planning Commission should be limited to sectors and areas which are reserved for Union or concurrent Union-State action. This is part of the large question of Centre-State relations which is currently under scrutiny by the State Council of Ministers.

MONITORING AND EVALUATION

10. The State Planning Commission should be made responsible for monitoring project execution and for programme evaluation. It will set up the necessary machinery in its Secretariat, taking into account the work of its manpower cell and the monitoring by the Computer Centre of physical achievements and financial expenditures. It will also organize similar cells under District Planning Offices in order that on-going projects may be monitored. In this function, it will also act as technical counsellor and guide to the district and departmental authorities and report periodically to the Government on the progress of implementation of projects.

RECRUITMENT AND TRAINING

11. The above re-orientation of Plan implementation will have certain consequences for the recruitment of implementation staff at the district level. It will also call for a continuing and continuous training programme for all groups of staff which will be engaged in this exercise. The Government may request the State Administrative Reforms Commission to develop the rules and regulations to govern this approach to programme implementation and project execution.

MACHINERY AND PROCEDURES

By

DEB KUMAR BOSE

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The machinery for implementation of a Plan follows to a large extent from the procedure adopted in formulating the Plan. The agencies involved in formulating the projects for the Plan at various levels are more often than not associated in the task of their implementation. It may therefore be useful to review the procedure of planning in India before we enter into the problem of the implementing machinery.

The procedure of planning in India has undergone little change since the First Plan. This is not to suggest that there have been no innovations in the procedure over the years. However, these innovations have not affected significantly the conventional process of planning in the country. The idea that the Plan should evolve from the district level through successive stages to the all-India level remains mainly on paper. The conventional approach of formulating the Central and the State Plans at the respective levels and combining them at the Centre still continues to dominate the situation. Exceptions apart, there have been few attempts to evolve a State Plan by aggregating the programmes suggested at the district level. It is more usual for the State Plan to be disaggregated into its constituents by the districts and substitute these for the district Plans. This, however, is not true of the National Plan. The National Plan is divided into two broad sectors, the Central sector and the State sector. The Plans for the two sectors are drawn up by separate agencies. The State Governments draw up the State Plans and the Planning Commission draws up the Plan for the Central sector directly. The location of the Central projects is determined by technical considerations and overall economic objectives at the national level. The State Plans, on the other hand, are aimed at development of infrastructural facilities within the States so as to provide a basis for further investments by the Centre, State and private enterprise.

While the Planning Commission retains the right to decisions on the Central projects to itself, it has to combine the State Plans to keep these within the limits of available resources in consultation with the State Governments. Here the Commission has to act as an arbiter in allocating the available resources against the competing claims of the States.

The States are at a disadvantage in working out their Plan in the present system. Firstly, the States can have little idea about the possible size of their Plans till the negotiations with the Planning Commission are completed. The States are therefore left to guess for themselves the size of the Plans which often turn out to be unrealistic. Secondly, since the Central projects are conceived independently by the Centre, the States have to formulate their Plans leaving out of consideration the Central projects that may be located within their areas. Under the circumstances, the State Plans are hardly likely to serve the objective of the integrated development of the States.

A remedy to this would lie in forsaking the artificial dichotomy between the State and the Central projects. The Centre should be able to advise the States to include in their Plans the likely Central projects falling within their boundaries. This would permit the States to draw up consistent Plans at their level.

The current procedure of planning by the Centre and the States has not done justice to the interests of balanced regional development. For one thing, the boundaries of the States carve into segments the natural and geographical regions into which the country can be divided. The collection of the State Plans within a region is no substitute for an integrated development plan for the region as a whole. For another, as the Central projects are determined by the broad objectives, the compulsive requirements of regional development may not be adequately reflected in them.

A consistent Plan at the national level can be built up on the basis of regional Plans where the regions are defined by the disposition of natural resources and the topographical characteristics favourable for such delineation. The State Plans should then be viewed as integral parts of the regional plan. The framework of the regional plan can provide the boundary conditions within which the States will be free to develop their programmes.

The machinery for planning in the country has been organized on two different lines at the two levels, i.e., at the Central and the State levels. While the initiative in formulating the Plan at the Central level rests with the Planning Commission, a body of experts unrelated to the administrative machinery of the ministries, at the State level it is the departmental bodies of the State Government which retain major responsibility for initiating the planning process. The setting up of Planning Boards at State levels has not yet altered the situation basically.

The Government departments draw up projects for the expansion of departmental activities in the light of their own traditional experiences and expectations. Considerations arising from inter-dependence of the projects of one department with those of the others hardly enter into their calculations. The administrative set-up of the Government department has continued unchanged since the pre-independence days, guided primarily by the objectives of the maintenance of law and order and providing social services and infrastructural facilities to society. The Government, it was considered in those days, should be concerned with smoothening the market process so that private enterprise could function effectively in the economy. It was inconceivable that the State should take up for itself productive activities by displacing private entrepreneurs. It is obvious that the bureaucratic machinery that was organised in this context will be unequal to the tasks set by a Government committed to socialistic objectives. The role of the Government in the country has undergone a radical change. The State is now interested in steering the economy to attain a high rate of growth and equitable distribution of income among the population. The State now seeks to assume the control of the key sectors of the economy so that it can effectively direct the economy to the desired end. The Government departments are accordingly called upon to participate in the management and setting up of commercial and industrial ventures. The administrative machinery inherited from the past requires to be restructured to meet the new situation. This has not, however, happened in practice. As a result, there prevails a wide gap between the formulation of the Plan and its implementation.

The composition of the bureaucracy has to change to accommodate personnel trained in principles of business management and well versed in accounting practices. As the departments are to initiate projects involving technical complexities at different levels, they should be strengthened with technical personnel.

The change in the composition of the bureaucracy would call for reorganisation of its structure so that the technical personnel obtain sufficient freedom for analysing issues from technical points of view. The administrative hierarchy and the established rules of business have to be modified to ensure the unhindered flow of technical judgments to the highest policy level.

The schemes for the projects of the departments have to be drawn up on entirely different principles from those followed hitherto. Since an increasingly large number of projects would be production-oriented, the economic viability of the projects has to be assured. It would normally be expected that all productive projects leading to marketable outputs should normally pay their way. In the absence of such a criterion, the State would be loaded with heavy budgetary deficits arising from the losses of the public enterprises. The alternatives before the State would, under such circumstances, be either to resort to heavy taxes or to large volumes of deficit financing setting up an inflationary spiral in the economy.

It will be clear that the preparation of the project reports for the plans assumes a vitally important role in the departmental activities. It will be helpful if the departments set up special cells with competent persons for drawing up the project schemes and monitoring the implementation of the projects. The function of the cell would be to compile a shelf of schemes each of which is drawn up after carefully evaluating the cost and the benefits expected from it. The technical personnel in the cell would be available for technical guidance in implementing the schemes. The cell should also monitor and evaluate the efficiency of the projects during and after their execution.

The need for drawing up economically viable projects is all the more urgent in view of the new source of finance opening up to the public sector enterprises from the nationalized commercial banks. It will be appreciated that the pressure on the State exchequer will be reduced to the extent the projects are viable enough to attract loans from the financial institutions.

The dichotomy between the Central and the State projects in the National Plan, it has been noted, does not help to build up an integrated Plan for a region. The position is not much better at the State level inasmuch as the departmental projects in the States are not usually drawn up after considering the needs of the regions within that State. Here also, the technical and overall economic considerations dominate the selection of the projects.

Since the projects are drawn up independently by the different departments at the State level, the problems of complementarity and co-ordination between the projects at the lower regional levels are seldom taken into account. Failure to consider the regions within a State as relevant levels of planning has very often led to under-utilization of capacities created. For instance, water provided by irrigation facilities remains under-utilized for lack of power to drive lift pumps. Townships do not flourish for lack of adequate roadways. Market centres are planned without regard to their programmes for urban development. Imbalances, both within and as between regions, develop as a result of such practices.

The idea of regional planning should therefore be extended within the State as well for the successful execution of the development programmes. Spatial planning should be complementary to the planning at the State level. It is necessary, therefore, at an early stage of formulation of the projects by the departments, to identify them spatially and analyse their inter-dependence at the regional level.

To be effective, regional plans in an agricultural country like India should put particular emphasis on spatial planning in the countryside. With the advances in technology, agriculture has come to be more closely related with industry. Agriculture has so far been only a purveyor of raw materials to industry. But modern agricultural practices depend considerably on industrial products, e. g., fertilizers, pumps, threshers, tractors, etc. As the inter-linking between agriculture and industry grows, it becomes possible and necessary to bring agro-based industries and industries serving the needs of agriculture physically closer to agriculture. Area development programmes, taking a comprehensive view of all inter-related economic activities with agriculture in the centre, can form the basic components of a regional Plan in the rural areas.

The success of a system of regional planning based on integrated area development programmes would depend on the delegation of the requisite authority to the implementing authority to be set up at the lower levels. In the present bureaucratic set-up in the States, the decision-making authority for the departments is located in the State capital. The administrative authority at the local level can at best seek to co-ordinate the work programme of the different departments already defined at the higher level. Such an approach cannot attain the level of integration desired in the planning for the development of the areas. The special machinery for implementation at the local level should have the responsibility to suggest additional projects to meet the gaps in the departmental programme for the area. It should have access to the financial institutions for inducing them to invest in projects identified in the area. The implementing authority should be able to invite the attention of the concerned departmental heads to the failures in the performances of the departments in the relevant areas. The implementing authority should have at its disposal competent technical personnel who can evaluate critically the work programmes of the various agencies. It should be possible for the implementing authority at the local levels to formulate proposals for the consideration of the planners at the regional level on the basis of local experiences in Plan implementation.

In summing up, effective implementation of the plans calls for restructuring of the administrative set-up to admit persons versed in technical knowledge and business practices and invest them with authority for monitoring and evaluating the progress of Plan projects. Implementing agencies set-up at appropriate area levels should be vested with the authority for guiding the departmental and other bodies in the execution of the work programme drawn up in conformity with the needs of integrated area development.

MACHINERY AND PROCEDURES

By

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The basic objective of a Plan is to improve the standard of living of the people and offer them a better life. Our planners have laboured hard to improve the quality of planning and considerable emphasis has been given to the formulation of Plans. Even so, no plan, however well conceived it may be, will yield the desired results and achieve the pre-determined targets unless it is implemented in the manner in which those who formulated it expected it to be implemented, In the words of Barbara Ward, "it is not unfair to say that, from the beginning, India's planning has been stronger on formulation than on implementation – or, less pompously put, on thinking things out rather than getting things done".

Whenever the implementation of a Plan goes awry, the blame is immediately laid at the door of the administrator. The administrative machinery is criticised and a few scapegoats are produced. What has yet to be properly recognized by the people at large is that the successful implementation of a Plan does not depend only on the administrative apparatus. As Albert Waterston points out, "the cardinal lesson that emerges from the planning experience of developing countries is that the sustained commitment of a politically stable Government is a *sine qua non* for development.... Although it is never easy to reform administrative and institutional inefficiency, commitment by political leaders is a necessary condition for reform; without it. reform is impossible". The political leadership has successfully to enthuse all sections of the population to support the plan and make sacrifices for it. These factors have not been sufficiently recognised in our country. For instance, if an industrial project in our country does not achieve targeted production, the axe straightaway falls on the neck of the administrator who is unfortunately at its helm, even though it can hardly be said that he alone is to blame. The success of an industrial project depends on a host of factors like efficient pre-project planning, industrial peace, political stability, adequate infrastructural facilities, efficient service by the Railways and Transport, early issue of sanction from higher authorities, etc. In this context, the successful implementer is not a man who does his own job well. Rather, he has to be a person who is either extraordinarily fortunate in having favourable factors surrounding his sphere of activity or a person who is so extraordinarily competent that he is able to make an impact on all outside factors and make them favourable to his project. Neither of these alternatives arises in real life, and the partial fulfilment of both these factors figures in most success stories. Therefore, while formulating a plan, the planners have not only to take into account the limitations under which the administrative apparatus has to function but they also have to suggest concrete steps by which the limitations are either overcome or mitigated. What has to be clearly recognized is that the implementation of a plan cannot be done merely by the administrative apparatus; it involves a host of

organised institutions and millions of unorganised individuals. Neither the political Government nor the administrative machinery can offord to ignore this basic fact and the planners would do well if, at the formulation stage, they spelt out the precise steps to be taken to mobilize the entire population for the fulfilment of the objectives of the plan rather than merely rest content, as they have done in the past, to exhort all section of society to support the plan.

The scope offered by the larger liberal definition of machinery for implementation of a plan indicated in the preceding paragraphs makes it necessary, in the interests of confining the length of this paper, to restrict the field of review. As a District Officer, it may be appropriate for me to confine myself to a review of the machinery and procedures at the district level in Tamil Nadu.

At the district level, there are various official agencies which implement the plan. These include the branches of nationalized banks and autonomous financial and industrial corporations, several Central and State Government departments, Co-operatives, Municipalities and Panchayati Raj institutions. Each one of these organisations implements a number of projects and several programmes which are inextricably inter-related and which, if implemented in harmony, would lead to the attainment of the desired objectives of the plan. Even though steps have been taken to formulate plans at the district level, these plans have not yet become the basis of action. The twelve-year district plan now under preparation is useful to the planner, not the agencies charged with its implementation. At best these afford an insight into the needs of the district and a view of the perspectives against which the plans are implemented. If the work of several agencies has to be harmoniously blended at the field level, it is necessary that the district plan should be prepared on an annual basis and should spell out in full the details of the tasks assigned to each agency. Only then can it become an instrument of action and a basis for monitoring the progress of the plan and achieving inter-agency co-ordination so vital for the success of the plan. In the absence of an operational district plan, district level reviews of plan progress are undertaken in terms of financial expenditure rather than physical targets. Investment targets are reviewed rather than output targets. The lack of an efficient evaluation organisation renders the appraisal of even individual projects and programmes difficult, let alone that of their inter-dependence. The annual plan drawn up at the State level may be regarded as operational, but the size of the State renders inter-agency co-ordination at the State level extremely difficult; even certain districts are found to be unwieldy, when co-ordination between agencies is attempted. There is therefore an imperative need to prepare operational Annual Plans at the district level, so that the implementation by various departments could be harmoniously co-ordinated, and individual schemes closely monitored.

A few examples will clearly bring out the unsatisfactory state of affairs at the district level. If we take cotton production for instance, the activities involved include the supply of seeds, provision of credit, supply of fertilizers and other inputs, training the farmer to adopt scientific procedures and arrangement for the purchase of the produce. At the National or the State level, these responsibilities are reassigned to various organisations like the co-operatives, nationalized banks, the Cotton Corporation of India, the Intensive Cotton Development

Project, textile mills. But the field officer has no plan of action as to how the various activities will be performed at the district level by the various institutions. If he makes an earnest effort to gather these particulars, it may take months since so many agencies are involved, and most of them take time even to ascertain what is expected of them from their State level or National level offices. If the total requirements of credit is Rs. 20 crores, the Plan administrator has no idea how much would be forthcoming from the co-operatives, how much from the nationalized banks, etc. He therefore merely takes steps to see that various institutions give as much credit as possible to meet the demand from farmers. The result is either under-financing or over-financing; timely credit is not available, with the result that credit is diverted for purposes of consumption rather than to production. Likewise, so far as cotton marketing is concerned, purchases are made by a number of mills, a number of private individuals and also by such institutions as the Cotton Corporation of India. The man on the spot in the district to whom farmers represent their marketing problems has really no idea as to the precise role of each institution or of the Cotton Corporation of India, and he is therefore not in a position to discharge his functions efficiently. If there were a plan at the district level, this plan would visualize exactly how much credit would be made available from each source in an area and precisely how the produce would be marketed. The lack of an integrated plan at the district level results in departments working in isolation with their sights set only on narrow departmental targets rather than on the overall objectives of the plan. The sad spectacle of co-operative credit societies insisting on farmers borrowing to purchase fertilizers when the farmer has ready cash with him must be ascribed to the tendency to judge the work of co-operatives with reference to the credit disbursement figures rather than the manner in which loans are utilized. Implementation of a plan at the district level can be geared to the attainment of the overall objectives of the plan, only if these objectives and the role of each and every agency in attaining these objectives is clearly understood and appreciated by all those involved in implementing programmes whether at the lowest rung or at the highest.

It may be relevant to make a passing reference to the performance of some of the organisations implementing the Plan at district level.

The nationalized banks have in recent years considerably expanded their network. While organized industry is well served, the coverage in the agricultural sector is not appreciable. Several big farmers have switched to bank finance, but small farmers are still mainly catered for by the co-operatives rather than by the commercial banks. While rapport between the banks and the other agencies involved in plan implementation is improving, attempts to increase and expedite the disbursement of loans by the banks to the weaker sections of the population have to be carefully monitored with a view to ensuring that the Government servant's keenness to achieve disbursement targets does not jeopardize the safety of the amount advanced. Co-operatives enjoy the undoubted advantage of a local leader and being located in the midst of its clients. The coverage by co-operatives is satisfactory and the disbursement of loans is prompt, recoveries being fairly satisfactory. But as already mentioned, what is needed at the present stage of development of credit co-operatives is a clearer understanding of the role which credit plays in economic development. There is also need to induct a more competent and dedicated class of persons into the co-

operative movement and to provide suitable training and motivation to such leaders. The impact which sound leadership can make on the success of a co-operative venture is most eloquently brought out by the successes achieved by the Chintamani Supermarket and the Tudialur Agricultural Service Society, both in Coimbatore District. On the processing and marketing side, co-operatives play an important role in holding the price line and reducing the gap between the producer's price and the consumer's price. In this field, however, there is a singular lack of awareness on the part of both the official and non-official elements of the role of the co-operatives in fulfilling the objectives of the plan. Most co-operatives, instead of procuring directly from the producer at harvest time, storing the produce and releasing it during the lean months at fair prices to the consumers, purchase essential commodities from private wholesalers during lean months. The merchants therefore continue to exploit and profiteer under the umbrella offered to them by a co-operative institution. If the role played by the co-operatives were clearly understood, this unhappy situation could well be avoided.

The expectations raised by Panchayati Raj institutions have largely been belied. Panchayat Unions and Village Panchayats have been given fairly large powers in the field of development, but unfortunately, they are endowed neither with the financial resources nor with initiative, barring a few exceptions. As a result, the trend has been for Government departments to expand their plan activities while the Panchayat Unions and the Panchayats rest content with the implementation of only a few plan schemes.

The construction of roads has been entrusted to Panchayat Unions but the massive Rural Roads Programme is implemented directly by the Highways Department. Elementary education has squarely been made the responsibility of the Panchayat Union, but the State Education Department implements most programmes in the interests of both quality and quantity, the Panchayat Union being reduced to the status of a paymaster. Likewise, in agricultural production, the role of the Panchayat Unions has been to implement standard schemes prescribed by the State Agricultural Department for which allotments are made annually, whereas all the important and special programmes are implemented directly by the Department. The Panchayat Union Chairmen and the Panchayat Presidents play the role of local leaders espousing local causes rather than that of plan implementers.

One reason for the atrophy which has set in Panchayati Raj institutions is the fact that the Government, both at the political and administrative levels, are much closer to the people and far more responsive to their needs, particularly the weaker and vulnerable sections, than even before. Another reason is the lack of administrative efficiency at the Panchayat Union level and the failure of its administration to work as a team. At a time when the block was headed by persons belonging to the various development departments, each department had a stake in the future of the Panchayati Raj administration. With the setting up of a separate department and a separate service the development departments have ceased to take an interest in the block administration. On the contrary, friction between the extension officers belonging to different departments and the Block Development Officer is increasing day by day. Here again is an instance of narrow departmental loyalty, and a lack of commitment to the Plan as a whole impeding its implementation.

There are innumerable Central and State Government departments implementing the Plan at the district level. Insofar as the Central Government departments are concerned, there is no agency at the district level—nay, even at the State level—to co-ordinate activities. Each department works in isolation. But Central Government departments do not have as close contacts with the public at large nor have they the volume of programme work at the district level as the State Government has.

As far as the State Government departments are concerned, the overall co-ordination is effected by the District Collector, who, apart from directly dealing with the departments like Revenue, Development, Civil Supplies, Excise, Harijan Welfare, has overall supervisory powers over the programmes of all departments. With the multiplication in the number of departments, problems of co-ordination have become challenging. As has been stressed more than once earlier, unless there is an operational plan at the district level, it is really not possible for the District Collector meaningfully to review its progress. The reviews made now-a-days refer mainly to expenditure targets and to the satisfaction of the felt and articulated needs of various sections of the population. While district officers are given full responsibility to implement several schemes, no expenditure can be incurred by any Government servant unless there is a financial sanction covering the expenditure and unless funds have been provided in the Budget. Since most departments have to present bills at the Treasury for encashment, it is not possible for a Government Officer to make any payment unless these two conditions are satisfied The Annual Plan outlay is fully reflected in the State Budget and, therefore, any scheme provided for in the plan will have at least a token provision in the budget, which would enable the concerned officer to draw funds. However, it takes a long time for budget provisions to be communicated to district officers and district treasuries, with the result that several valuable months are lost before action on the Plan begins. The budget has always been regarded as an extremely confidential document, but even so, no harm will be caused if budget provisions are confidentially communicated to all district officers well before the financial year commences. Even though theoretically all new schemes should find a place in Part II of the budget and should be ripe for issue of sanction orders before the financial year commences, there is in practice inordinate delay in the actual issue of orders, partly because pre-budget scrutiny is not thorough enough for immediate sanctions without further post-budget scrutiny. This results in delays in implementation which not only affects individual schemes but also renders infructuous other investments on which the individual scheme has an impact. This results in the delayed flow of benefits from investments. Unless all sanctions are put in the hands of each department's district officers within, say, two weeks of the commencement of the financial year, the Annual Plan is bound to get off to a delayed and, therefore, a bad start every year. This has been often recognised as a problem but not so far remedied.

The administration in our country was designed to preserve Law and Order and collect revenue. To refashion such an administration to meet the challenges posed by the plan is a formidable task. There is need to develop forward-looking and progressive personnel policies. Albert Waterston has summed up the situation in most developing countries thus: "Political influence in recruitment and promotions, overstaffing at lower levels and understaffing at higher levels, misuse of trained staff and low pay are important

factors accounting for low morale, incompetence, slackness and waste. Rigid personnel regulations protect the inefficient and scare away the well trained and competent." What he says is of relevance to our country and unless bold changes are made in personnel policies, it is difficult to improve the calibre of the administration. There is also a pressing need simultaneously to eliminate what is called red tape. Governmental procedures are notoriously cumbersome and most Government servants evade responsibility in the matter of taking decisions. Higher authorities are seldom willing to delegate powers; lower authorities are chary of wielding such powers, even if delegated. Insofar as administrative reforms are concerned, as the *Economic Times* has put it, "...it is too late in the day to say anything especially novel about administrative reforms. There have been so many reports, so many investigations, the whole ground has been covered with such thoroughness...that the problem to-day is not one of enlightenment but of implementation."

Another aspect which has not received adequate emphasis so far is the role of the Police and Labour Departments in the implementation of the plan. Unless Law and Order is maintained and citizens can move about with freedom and security, it is impossible for the millions in our country to do what is expected of them towards the fulfilment of the plan. Police administration should find an important place in any plan, since it provides the vital pre-condition to any development effort. Likewise, industrial relations have to be rendered stable through the setting up of efficient labour departments and amendments to labour laws and practices. Industrial strife can completely paralyse the implementation of a plan. Industrial relations, therefore, deserve recognition in the plan and adequate provision should be made for healthier industrial relations.

To sum up, a plan will not serve any purpose unless it is implemented efficiently. To make effective implementation possible, the political government has to have a strong commitment to the plan and enthuse all sections of the population to support the plan. An administrative apparatus, no matter how efficient and modern, cannot implement the plan successfully unless it is backed by all sections of the population. At the district level, among the various agencies which implement the plan, are the nationalized banks, the autonomous financial and industrial corporations, co-operatives, municipalities, Panchayati Raj institutions and several State and Central Government departments. Unless the work of all these agencies is co-ordinated at this level, it will not be possible to implement the plan efficienly. To make such co-ordination possible, there has to be an operational district Plan every year so that the pace of programmes and the progress of projects can be monitored and evaluated from time to time against the backdrop of the targets fixed for them in the plan. The Annual District Plan would also enable every implementer to understand and appreciate the purpose of the plan and its content and enable him to act in such a manner that every action supports the

plan. The nationalized banks have extended their network but have yet to cater for small farmers. Co-operatives cater for the bulk of the rural population but apart from a few exceptions, they do not have a clear idea of their role in the plan. Panchayati Raj institutions have ceased to display enthusiasm for the fulfilment of the plan. The Government departments have to be rendered more efficient through better personnel policies, by the delegation of powers, the simplification of financial sanction procedures and the elimination of red tape. For a plan to be successfully implemented, it is essential to have an efficient police force and an effective labour department so that the conditions are produced under which the development programmes are implemented in an atmosphere of security, and production is not subject to interruptions due to industrial strife.

PLAN IMPLEMENTATION AND ADMINISTRATIVE REFORMS

By

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1. Administration is a means to achieve an end. Governments have objectives which are many and changing, and their success in achieving them depends largely on how best and how quick they revamp their administration to suit their objectives. The East India Company with its trading aims, the British Government with its colonial aims, devised administrations to suit their ends. After independence, the Union and State Governments have, off and on, attempted reforms of administrative procedures to suit the new objectives of improving our economy, our distributive mechanism.

2. Administration by objectives, as opposed to administration by crisis, is yet to be systematically attempted in this country. In an unplanned economy, with a limited minimal role for Government, administration could perhaps be carried on, solely on the basis of handling crisis. In a planned economy, with the Government assuming the initiative and leadership, practically in all the major areas of economic activity, the need for reforms of administrative techniques and procedures to suit the objectives on hand cannot be over-emphasised. In the context of a plan, the objectives of the Government become concrete, immediate and well publicised. The objectives get clearly delineated in terms of the time required for achieving them, the sequence in which the various steps will be taken and the qualitative and quantitative standards by which the achievements have to be assessed. Priority items of work have to be performed, with optimum efficiency, within the allocated time and resources, to achieve the projected results. Plan implementation frequently calls for enormous investments and large manpower with new and varied skills. These in turn call for newer organisational patterns and lines of control, adoption of newer techniques of decision making and quicker and more effective lines of communication. Successful implementation of a Plan will thus call for a meaningful, purposive, effective, quick and timely administrative reforms.

3. In our State each of the four Plans had involved doubling of the outlays of the previous Plan, undertaking of a newer range of activities and creation of new organisations. In the First Plan with an outlay of Rs. 86 crores, the stress was on agriculture, irrigation and power generation. The Second Plan had an outlay of Rs. 186 crores, 42 per cent of which was for power generation. A beginning was made in the development of small industries. Institutions like Electricity Board came into existence. In the Third Plan, with an outlay of Rs. 347 crores, power generation, industrial development, housing, technical education and family planning received high priority. Institutions like Housing Board came into existence. In the Fourth Plan the outlay rose to Rs. 546 crores and priorities shifted to agriculture and allied fields. Family Planning, industrial development and

power generation continued to have a large allocation. Rural development, urban housing, water-supply and drainage, transport development, etc., received special attention. A large number of new institutions like TWAD, TIDCO, TANSI, SIPCOT, SIDCO, Slum Clearance Board and a number of Transport Corporations came into existence, considerably widening the range of Governmental activities.

4. The Fifth Plan for this State is expected to involve an outlay of the order of Rs. 1,500 crores (which is 18 times as large as the First Plan outlay). Heavy investments are contemplated in such sectors as power generation, direct industrialisation, agriculture, minimum needs programme of rural areas, rural employment, transport, urban development, health services and family planning, etc. The Fifth Plan, thus, is going to be thrice as big, thrice as complex and thrice as demanding on the administrative services as the Fourth Plan. It will call for massive, meaningful, and quick spending of money. Simultaneously it will also call for careful and economically sustainable investment decisions, lest the massive expenditure result in inefficient and infructuous spending with no corresponding production of goods and services. It will thus call for major reforms in our administrative set up and procedures for its successful implementation. The reforms will have to cover such areas as planning, budgeting and financial control, secretariat organisation, personnel administration, management of public enterprises, agricultural administration and district administration. It is in this perspective, that the Administrative Reforms Commission has undertaken various studies to determine the areas for, and the nature of, reforms. While I have drawn freely from the studies made, and the data collected, by the Administrative Reforms Commission, the opinions expressed in this paper are entirely mine and do not necessarily reflect those of the Commission or the Government.

SECRETARIAT

5.1. The structure of the Secretariat and its style of work have remained unchanged over the last several decades. The enormous expansion in the volume and complexity of work has been sought to be handled by a corresponding expansion of the secretariat organisation without attempting to change its structure and style of work to suit the current requirements. Generalist Secretaries, assisted by several generalist Assistants and Section Officers (whose only function is to store and retrieve precedents) advise the generalist Ministers. Decisions at the Government level involve administrative, political, financial, legal and technical aspects of the problem. Increasingly a large number of complex problems have to be subjected to intelligent and competent technical scrutiny, by independent experts who have the requisite technical background and who are not involved in the formulation or administration of the proposals. Apart from the solitary exercise of having had an industrial adviser during 1966-68, we have never attempted to inject technical competence in the Secretariat hierarchy. Departments like Public Works, Industries, Agriculture, Public Health, Education, Transport, Housing, ought to have small technical cells, consisting of competent experts in the field. The cells must also include economists specialising in such branches as agriculture, transport, power generation, urban problems, etc. Secretariat expansion in future has to be problem-oriented and not merely in terms of Assistants and Section Officers.

5 2. The dichotomy between the Secretariat Departments and the executive departments is another area for reform.

In the leisurely days of "checks and balances," it may have been appropriate to have an unconcerned Secretariat to hold the Heads of Departments in check. In the context of plan implementation, in which time is the essence and involvement is paramount, there should be free interchangeability between the personnel of the Secretariat and the executing departments, to bring to the Secretariat work an appreciation of the field realities.

5.3. The detached Secretariat sitting in judgment over the heads of departments has long outlived its utility. In the leisurely days of colonial rule with minimum government, this concept may have had its validity. In these days of rapid development, when speed, specialisation, and involvement are the criteria for efficiency, this detachment merely has the effect of slowing down the administrative machine, apart from discouraging in the Secretaries the much needed sense of involvement and leadership. The Minister, the Secretary to the Government, the Secretariat Department and the office of the relevant head of the department should form one unit, at least in all development departments. Such a reorganisation will lead to an enormous saving of time, effort and money, now spent in correspondence between the Secretariat Department and the head of the department and in building up duplicate sets of files. In these re-organised departments, the Secretary, assisted by a financial adviser, a personnel manager, and a legal adviser, could function and lead with speed and efficiency. The Secretary to Government of a department in this set up can then be delegated with a great deal of financial and administrative powers. In this set up, departments like Finance, Personnel, Law, etc., will act as clearing houses and training ground for the financial advisers, legal advisers and personnel managers. Departments like Agriculture, Industries, Public Works, Transport, Social Welfare, etc., need to be reorganised in this fashion to achieve a greater degree of cohesion, and operational efficiency. Executive departments with commercial objectives have progressively been converted into autonomous bodies and Government companies to achieve greater autonomy and speed in decision making. Development departments with no commercial objectives and which therefore do not lend themselves to be formed into autonomous bodies, have to be reformed in the manner detailed above.

FINANCIAL ADMINISTRATION

6·1. Our financial procedures, evolved during the colonial rule, for discouraging expenditure, are yet to be reoriented to facilitate intelligent and meaningful, massive and quick spending. In the present practice, control of expenditure through Budget is at best nominal. Control, in fact, is exercised through a combination of *(a)* approval of schemes, *(b)* inclusion in the budget, *(c)* expenditure sanction, *(d)* minimum delegation of decision making powers to the heads of departments, or Secretaries to Government, *(e)* stipulation of norms for the exercise of delegated powers, and *(f)* approval of the deviations from the stipulated norms. In the context of small budgets, when the accent was not on spending, such an over-centralisation might have been valid. While operating budgets of the size of Rs. 400 crores, it has led to long delays and distortion of values and the Finance Department getting entangled in an unimaginable volume of trivial sanctions and finding little time for an intelligent processing of major investment decisions.

6·2. While implementing plans involving such massive investments as Rs. 1,500 crores, two major objectives assume equal importance. First, the procedures must

facilitate quick sanctioning of expenditure to enable the completion of projects within the plan period. Second, major investment decisions have to be taken after careful examination by experts to avoid infructuous spending and inflationary pressures on the economy. The second aspect has assumed great significance in the context of a major portion of the public spending in the National Plan being done by the State Governments.

6·3. In order to achieve this, Finance Department has to undergo major structural changes. It should control expenditure mainly through the budget and not through expenditure sanctions. It should rid itself of a large volume of routine work through larger delegations to the administrative Secretaries. In respect af all schemes involving non-recurring capital outlays below Rs. 1 crore or a recurring expenditure below Rs. 1 lakh. the Finance Department need be in the picture only for inclusion in the Budget. Approval of the schemes and expenditure sanction could be issued by administrative Secretaries, without reference to Finance.

6.4. This will leave the Finance Department free to concentrate on the major schemes from the points of view of *(a)* cost-reduction exercises, through the exploration of alternatives, *(b)* cost benefit studies, *(c)* investment priorities, *(d)* impact on other sectors and a study of chain reaction type of expenditures and *(e)* matching of investments to the additional goods and services generated in the given time-period. For this purpose, the Finance Department has to equip itself by recruiting professional specialists in such areas as cost reduction and cost-benefit studies, investment, appraisal, socio-economic studies, banking, cost accounting, etc. The expansion of the Finance Department should be on these lines and not in the conventional direction of Assistants and Section Officers. The Finance Department will also have to train and provide a cadre of young and forward looking financial advisers to the various departments.

6.5. The introduction of performance budgets and the new project oriented budget heads will enable the Finance Department and the heads of departments to keep track of the progress of activities in financial terms a little more meaningfully. In order to reap the full advantages from these changes, it is necessary to make every development department self-accounting and provide them with an efficient management accounting information system making use of the computer installations. Such an arrangement will help the heads of departments to have a firm grip over their development plan execution.

PERSONNEL ADMINISTRATION

7.1. Proper management of the human resources is as important as the management of financial resources for the successful implementation of the plan. A large portion of the plan expenditure will be spent on the salaries and perquisites of the Government employees. In the year 1973–74 we operated a budget of Rs. 465 crores, out of which the salary to staff alone accounted for Rs. 132 crores. The need for getting the best returns from a massive investment of this order in men, cannot be overemphasised. In this context, the adoption of correct policies for recruitment at appropriate levels, training the staff adequately, and following a carefully drawn-up career pattern for every class of executives, and the adoption of constructive executive development techniques to get the most out of the investment in manpower, assume a great deal of importance. Casual approaches to personnel administration can no longer be tolerated.

RECRUITMENT

7.2. In addition to the direct recruitment at the lowest and intermediate levels, there must be provision for the recruitment of specialists and experts, like economists, bankers, statisticians, at senior levels. A system must be devised in which such specialists from universities and advanced research institutions and major private sector organisations, could be drafted for Government service for short spells. Apart from helping the Government tn securing the services of specialists, it will also have the effect of improving the calibre of such specialists, by exposing them to political and administrative realities. We need to produce our Kissingers, Galbraiths, Moynihans and Spaaks. In the reverse direction, senior civilians should be given 'Sabbatical' of six months to one year, once in five to seven years to study, teach or to do research in the universities and research institutions.

TRAINING

7.3. The training given to the two generalist services, namely, the I.A.S. and the P.C.S., is still largely oriented to regulatory functions It needs to be recast and oriented to development functions.

CAREER PATTERNS

7.4. Administration is increasingly becoming complex; and the old concept that any officer can hold any job at any time is no more valid. In the context of massive spending and great stakes, there is no point in filling senior posts with intelligent novices who will just manage to carry on. Senior posts must be held by men thoroughly familiar with the functions and objectives of the organisation and who, out of their experience, will be able to lead and make true contributions. In respect of the vertically organised development departments, in which the executives move up in the same department, specialisation is ensured, while in respect of generalist cadres, such a specialisation has to be consciously attempted. The I.A.S. and P.C.S. officers may be posted in different departments in the first ten years of their service to enable them to understand the various facets of administration. Later on they should be allowed to specialise in the branches for which they have special aptitudes, like labour, industry, transport, agriculture, social services, revenue, civil supplies, etc. This will enable us to get a set of senior civilians who will be able to assume effortlessly the leadership of the department and make positive contributions to its efficiency. In the context of the efficient execution of plan projects, such an executive development programme is an essential management tool.

ASSESSMENT

7.5. In order to adopt result oriented executive development programmes, present methods of executive assessment must change. At present the accent is entirely on the personal traits of the executive and not on his performance. Thus an executive who has done nothing of importance in a job, can still earn a report, "He is smart, gets along well with every one, prompt, well behaved, etc.", while executives who make original contributions and turn out excellent piece of work may get a report, "delays matters, quarrels with colleagues and wears long hair and loud ties". This pre-occupation with personal traits and exclusion of performance is hardly conducive to motivate the executives to better performance. The assessment procedures need to be revised with maximum accent on performance, to develop originality and aggressive efficiency in the executives. Instead of being obsessed with traits-analysis, we should resort to aptitude analysis which will help us in deploying the executives in appropriate branches.

PUBLIC ENTERPRISES

8.1. A large number of Governmental activities like housing, power generation and distribution, transport, industrial goods manufacture, distribution of essential goods etc., are being done through Government companies. The object of performing any work under the company organisation as opposed to the departmental organisation, is *(a)* to secure resources from outside the State Budget and *(b)* to provide operational freedom and a style of management appropriate to the line of activity.

8.2. By and large, most of the autonomous bodies and Government companies have mainly Government staff on deputation who have transferred the Governmental procedures and style of management to these organisations. Financial, administrative, accounts and correspondence procedures have been copied from the Government, thus severely abridging the utility of the company form.

8.3. In order to derive the full advantages of the autonomous character of these organisations, deputations of Government staff to them should be discontinued, except perhaps at the highest level. These organisations must be allowed to build up their own cadres of workers and executives, who will identify themselves with the growth of the company and not function as disinterested birds of passage. Attempts should be made to attract executives with relevant experience in the successful private sector companies, so that they may usher in a style of management appropriate to the line of activity of the company. High priority should be given to the use of management consultants for selecting and adopting the appropriate procedures, in personnel management and financial management. Similarly factors such as management information system, organisational structure, lines of control, management of production, purchase, sales and labour relations, in these bodies, need to be studied in depth by suitable consultants, with a view to improve them.

8.4. Factors inhibiting these bodies from raising external resources commensurate with their assets and credit worthiness have to be identified and removed. Proper valuation of assets, adoption of standard accounting procedures, projection of the appropriate image of the company, etc., could be the relevant areas for examination for this purpose. The Administrative Reforms Commission has already taken up this subject for a special study.

8.5. The composition of the Board of Directors of these companies and autonomous bodies has to be decided on more purposefully. To the extent possible there should be whole-time functional directors and in any case no one person shall be a director of more than two or three organisations. This will enable the Boards to function with a much greater sense of responsibility and increasingly the Board and not merely the chief executive, must be held accountable for the performance of the company as a whole. The present practice of part-time directors sitting on the Boards of several companies is not conducive to the efficient performance of the functions devolving on the Boards.

8.6. In the Government companies, autonomous bodies, and even in departments engaged in offering goods and services to the people, incentives have to be used to step up efficiency. The recent experiment in Pallavan Transport proved the efficacy of this technique beyond any doubt. Portion of the emoluments at all levels have to be linked to the incentives for better performance.

AGRICULTURAL DEVELOPMENT

9.1. Development of agriculture will have the highest priority in the next few plans. At the level of States, success in this field is mainly a matter of organisation and not of heavy capital inputs. While the department of agriculture has the responsibility for agricultural development, the Panchayat Development Department has all the village level extension staff (Gram Sevaks). This dichotomy, and the lack of co-ordination between the two departments is the central administrative problem of agricultural development. Communication of priorities to the field has become difficult in these vertically organised departments with weak and tenuous horizontal links.

9.2. The ARC of our State has already recommended certain proposals for strengthening the horizontal links, for providing lateral control through dual assessments and for creating an agricultural bias in the entire district administrative set up. The work of the Gram Sevak should be assessed by the Extension Officer (Agriculture) and Gram Sevaks with aptitude for agricultural work will become eligible for promotion as Extension officer (Agriculture) based on such assessments and subject to his taking the higher university diploma in agriculture. This will provide the Gram Sevaks a strong motivation to be responsive to the agricultural hierarchy. The technical work of the Extension Officer (Agriculture) should be assessed by the District Agriculture Officer, while his ability to function as a co-operative member of the Development Team will be assessed by the BDO. The overall performance of the BDO should be assessed by the Revenue Divisional Officer, while the District Agriculture Officer should assess his interest in agricultural programmes. Similarly the initiative and interest displayed by the Revenue Divisional Officer in agriculture should be assessed by the Deputy Director of Agriculture. The Collector even now reports on District Agriculture Officers and Deputy Directors of Agriculture.

9.3. The Commission envisages the creation of the post of a Commissioner of Agricultural Production and Panchayat Development, who will have a rank equal to that of a Member of the Board of Revenue and who will be an ex-officio Secretary to the Government in the Departments of Agriculture and Rural Development. Such an officer will be able, from a superior and controlling position, to lay down and enforce priorities on Collectors and give them an agricultural orientation. As the direct head of the department of Panchayat Development Administration, he will be able to ensure communication of agricultural priorities down to his field staff. As a high level co-ordinator, he should ensure co-ordination of the activities of the departments of agriculture, co-operation, forest, fisheries, irrigation and panchayat development. His proximity to the Ministers of Agriculture and Panchayat Development, in his capacity as ex-officio Secretary to Government in these departments on the one hand, and his power as a Member of Board of Revenue to control the Collector on the other, will ensure that the priorities laid down by the Government for agricultural development will be communicated to the field effectively and free of distortion.

9.4. The closely-knit team approach at the district level to increase agricultural production has succeeded very well in the districts in which the Intensive Agricultural Development Programme is in operation. In these districts, the Collector heads a team of all agencies engaged in services connected with agriculture, and carrys on an intensive and highly co-ordinated programme. This IADP approach has to be extended to all districts.

9.5. One of the drawbacks of our district administration is that while the Board of Revenue supervises, guides and assesses the performance of the Collectors in relation to their revenue and regulatory functions, there is no agency to systematically guide, motivate and assess their work in relation to development functions, like agriculture. It is left to the initiative of individual Collectors to decide their own priorities and work according to their lights. This drawback becomes all the more lamentable, when we remember that the Panchayat Unions are, in this State, still exceedingly responsive to the priorities laid down by Collectors.

9.6. The State Administration Reforms Commission hopes that the creation of the post of the Commissioner for Agricultural Production and Panchayat Development in the rank of a Member of the Board of Revenue, will remove the weakness from the present system. He can guide, motivate, supervise and assess the work of Collectors in regard to agricultural development and also act as a clearing house of operational wisdom for them.

SMALL INDUSTRY

10.1. From the point of view of developing employment opportunities and new skills, the State administration has a major responsibility to promote small industry. In the recent years arrangements have been made to extend different kinds of assistance like the provision of lands, factory sheds, long term credits on favourable terms, release of foreign exchange, supply of imported and scarce raw materials, etc. through newly created institutions and agencies. All these however are of no avail to the new entrepreneurs who are unable to get through the tangle of regulatory procedural formalities, in setting up a new industry. The procedures need to be simplified, decision-making powers have to be delegated to the field officers and the entrepreneur should not be compelled to approach any authority other than the District Industries Officer, for all the clearances required. The factory laws, the labour laws, and other regulatory laws have to be enforced with sympathy and imagination, with a view to guide and facilitate the creation of a new industry, and not with rigid conservatism which will stifle any new effort. The recommendations of the ARC in its report on this subject need to be implemented, in their true spirit, to achieve a rate of growth in this Sector as envisaged in the V Plan.

DISTRICT ADMINISTRATION

11.1 The importance of the District as the main unit of general and developmental administration cannot be overemphasized. It is for this reason the District Collectors are given the high stature and the prestige they enjoy. Apart from the traditional items of work like revenue collection, land administration, law and order, procurement, civil supplies, and various kinds of licensing and controls, the Collectors are intimately associated with all the development activities in the district. Agriculture, dairying, small industry, irrigation, small savings, family planning and rural development, are some of the fields in which the Collector is expected to assume leadership. By tradition the Collector in Tamil Nadu is treated as the representative of the Government in the district and his range of activities cover the entire gamut of governmental functions. The Tamil term for the word Collector, viz., "மாவட்ட ஆட்சித்தலைவர்" describes his role more appropriately.

11.2 While the Collector should legitimately have a say in every governmental activity in his District, and be in a position to co-ordinate the activities of the various

departments to their advantage and to solve their local inter-departmental problems, he should not be encouraged to interfere in the internal working of the vertically organised development departments. The vertical organisation of departments like Agriculture, Co-operation, Animal Husbandry, Industries, Forests, Fisheries, Public Works, etc., has considerable advantages like technical specialisation broader perspectives in sectoral plan preparation and implementation, etc. Nothing should be done to interfere with the internal discipline and lines of control in such Departments. Horizontal co-ordination between such departments is required at the level of heads of departments and also at the district and the sub-divisional and block levels. The Development Commissioner, the District Collector, the Deputy Collector and the Block Development Officer effect this co-ordination respectively. While there is no doubt that the co-ordinating authority should be clothed with adequate powers to enable co-ordination, all tendencies to subordinate the co-ordinated elements should be avoided, Thus a skilful balance has to be achieved in this area.

11.3 At the village level, land revenue administration and general administrative services are provided by part-time village officers like Village Headman and Karnam, who till recently held the appointments by hereditary rights. They have no public office and function from their own houses in the village. Their functioning is still feudal and is alien to the democratic concept of service to the people. They are not easily accessible to the poor ryots. Nor are they amenable to the full discipline of a governmental cadre. This is an important area for reform, as it affects a major percentage of the State's population. The replacement of these part-time village officers, by whole time, transferable government officials, correspondingly increasing the size of their charge by 3 or 4 times, and the creation of a public village office (however modest) in each such charge from where the new government officials will function are to be undertaken to reduce the hardships faced by the villagers in the present system. This will also eliminate the rivalry between the village officers and the Village Panchayats, and will enable the latter to function better and fulfil the role expected of them in the context of the implementation of the minimum needs programme.

11.4 This leads us to the reform necessary for the purpose of making the Panchayats efficient. The present village panchayats in our State are very small with negligible incomes. They need to be enlarged in size and made co-terminus with the contemplated enlarged revenue villages, so that they can operate a reasonable budget and have the minimum appurtenances required for an orderly administration of public funds. One may envisage a reorganisation in which the enlarged new village, enlarged Panchayat and the charge of the Gram Sevak will all be co-terminus. The location of these 3 offices in the same premises may be expected to generate centrifugal forces leading to a crystallisation of community attitudes in the area. Such a reogranisation will revitalise the Panchayats and equip them to handle the new responsibilities envisaged for them in the new plan.

11.5 There is also a legitimate case for reducing levels of administration between the village officer and the collector. At present there are five levels, viz., the village officer, the Revenue Inspector, the Tahsildar, the R. D. O. and the collector. Two of these levels, viz., the R. I. and the R.D.O., could be eliminated to speed up the despatch of business and to minimise inconvenience to the ryots.

In the context of larger villages (i.e., about 30 in a Taluk as against present 100), and the appointment of regular Government officials as village officers, the R.I. can be dispensed with and the taluk office may handle the village officers directly. The Revenue Divisional Offices may be closed and the Deputy Collector may be shifted to preside over the Taluk Office. He may be responsible for revenue, general law and order, development, social welfare and panchayat development administration in his area and perform at the taluk level, the horizontal co-ordination and direct administration functions, which the Collector does at the District level. This will establish a single line of control for the massive rural development programmes contemplated in the Fifth Plan and will greatly facilitate its meaningful implementation without delays and distortions.

PLANNING AND EVALUATION

12.1. The combination of budgeting and financial administration with the function of planning, is believed to bring to bear on the planning exercise, a sense of realism, and an awareness of the limitations of monetary, manpower and organisational resources. The performance of our State in developmental work in comparison with those of other States in India would appear to bear out this belief. Even impartial foreign experts have chosen to employ phrases like "path finder and pace setter" to describe our planning efforts. Nonetheless there is some merit in the criticism that the combination in one organisation of the planning function (which has essentially medium and long-term objectives) with the budgeting and financial administration (which have, most of the time, extremely short-term objectives and which very often consist of a series of attempts to surmount immediate problems on hand) may tend to narrow down the perspectives of planning and distort its basic values. In this context, the recent experiment in having created an independent, high level, technically oriented and professionally manned Planning Commission is a commendable step in the right direction. Such an organisation may be expected to help the Finance Department to delineate and sustain the plan objectives, unaffected by the day-to-day finacial constraints. This organisation is also ideally suited for fulfilling another long felt need in our administration, viz., the continuous and dispassionate evaluation of our programmes. Attempts at evaluation so far have been sporadic, and belated to be of any value in instituting corrective action. Evaluation has to be done by an agency which understands and sympathises with the objectives of the programme and which has no responsibility for its implementation and the Planning Commission is ideally suited for this purpose. Similarly the District Development Councils in the districts could be used in the evaluation function, with advantage, by the Planning Commission.

ADMINISTRATIVE REFORMS : A CONTINUOUS PROCESS

13. Administrative reform is a continuous process. As priorities shift, and as objectives of the Government change, the administration becomes obsolete and needs to be reformed. It has therefore to be handled by a permanent department/organisation which has to be staffed by experienced and perceptive civilians with a receptive mind and other professionally competent men, conversant at once with changing field realities and the modern methods of management. It will act as a permanent management consultant to the Government. It may also engage the services of professional consultants to inject new ideas in the system. Such a development cannot but do a lot of good to the administration of our State.

TRAINING FOR IMPROVED PLAN IMPLEMENTATION

By

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I

The experience of the last two decades of planning has demonstrated the gaps in the process of plan implementation, which are essentially due to organizational and human failures. Implementation is effective only when the projected results are produced. This depends on human competence and motivation as well as on the process of management. Therefore, it is important that planners should also focus their attention on development of the competences necessary for effective implementation. By now, various commissions and committees as well as scholars have identified the management gap as a serious obstacle to development. This is a much larger issue. My main concern here is to examine the role of training in improving the performance of people in plan implementation. This by itself is a complex subject and no definitive answers are available. Moreover, the role of training is determined by the social and the organizational realities of the system in which the people have to perform their functions.

At this stage, it may be appropriate to mention that, during the last twenty years or so, there has been a very large increase in training activity in India. This can be seen from the proliferation of institutions and training programmes. However, training efforts have been far from adequate in terms of results achieved because there is a great deal of general talk and specific, important issues often remain unexplored. For example, the Training Division of the Department of Personnel, Government of India, has so far organized five annual training conferences in which hundreds of trainers from different institutions participated. These conferences have passed many resolutions, often reiterating important aspects which should be quite obvious by now. Still, discussions on training indicate that the gap between knowledge and awareness on the one hand and suitable action on the other persists. Thus, it is necessary to move forward with the clear understanding that training is a part of the overall effort to improve the quality of human resources in administration. This realization is an important element of this effort but training by itself cannot produce all the desired results.

An attempt is being made here to raise some issues as to the nature of appropriate skills and training institutions. Answers are provided by implication, less by explicit analysis.

II

The tradition of training administrators is quite old in India. The training effort, however, has been concentrated at the stage of recruitment for administrative positions and the training inputs have often been determined on the basis of needs of

the administration at a time when planned development did not account for a major part of the administrative effort. Thus, a part of the problem, at least, is rooted in this tradition of training for administrators. Now, it is recognized that, whereas pre-experience training is important for initiating new recruits into the system of administration, fast obsolescence of knowledge, because of rapid developments in the field, has created the need for new learning. Hence, the post-experience training at various stages of a person's career.

I am not familiar with any study dealing with identification of training needs of administrators in this country, but it will be fair to surmise that a large majority of the administrators do not have opportunities for such post-experience training during their careers. Moreover, even the training programmes which have been developed in recent years for this purpose do not often have clearly stated objectives, thereby reducing the effectiveness of training for development of appropriate skills and competences. The identification of training needs should, therefore, take place within the context of both the needs of the organization as well as the individuals. This will give us greater confidence to define the objectives of training and will also provide guidelines for designing and implementing specific training programmes.

For training in the context of planned development, the organizational needs of the system should emphasize the implementation of plan programmes for achieving developmental goals. Thus, training for regulatory and maintenance functions is not likely to be of much value for development administration. One wonders whether, on the other hand, development administration requires the type of training which has developed in the context of industrial management. There are similarities between the two inasmuch as the objectives of the enterprise can be specified and tools for the measurement of performance can be developed. However, such industrial management has developed as part of a larger system which is much less open than development administration in Government where demands from the public, including politicians, do play an important role.

The Study Team of the Administrative Reforms Commission on the "Machinery of Planning" emphasized the need for training the Planning Commission staff and talked about special emphasis on training in planning tools. However, neither the Study Team nor the Administrative Reforms Commission Report considered training for those engaged in the implementation of plans at any length, in spite of the fact that failures in the field of planning have been primarily failures of implementation.

III

If training must be more relevant to the needs of development administration, several questions need to be discussed, particularly concerning the nature of the appropriate skills and whether training should emphasize personal development more than programme development. First of all, it is important to recognize that the transfer of a civil servant from a traditional regulatory job to a developmental one also involves transfer to a culture which may not be appropriate for the new assignment. The emphasis in the traditional government jobs is on faithful compliance with the established procedures, whereas the demand of a successful plan implementation system is that the planned for results be realized. Then training should strive so to influence the behaviour of the administrator that he can move from rule-orientation to result-orientation. A change in attitude is often not measurable except through behaviour,

training being only one of the elements determining this behaviour. At the same time, it is also necessary that the procedures and practices of administration in this field lay the emphasis on the achievement of results.

Besides training for a change of orientation, the administrator who is assigned the responsibility for developmental work should possess knowledge and skills relevant to his assignment. Thus, an administrator working in education or agriculture is expected to possess a knowledge of the technologies employed in these sectors. While dealing with a specific programme, he is expected to develop sensitivity towards the peculiarities of that programme so that, in the process of administration, he can look for really important and distinctive aspects of programme administration. This may imply that training should be relevant to different programme areas and should emphasize the particular aspects of administering each programme because the mix of resources as well as the nature of results would vary from programme to programme.

While emphasis on specific programmes is important, training should also aim at the broadening the skill-base of the administrator. Development is, after all, interdisciplinary and requires an integrated approach. Thus, the administrator should be made to perceive his role within the overall frame-work of the total process of development. This kind of concern will persuade us to make training programmes of a more general nature and allow the trainees to translate important concepts and techniques in relation to their jobs.

It may be appropriate here to mention that the nature of managerial skills varies with the nature of responsibilities which are largely determined by the position one occupies in the organizational hierarchy. Thus, junior jobs in any organization involve work which is primarily of a technical nature. At this level, the administrator should be proficient in the technical skills appropriate to his job. At the middle management positions, however, he is less involved with technical matters and gets his results through other people. Now, he has to deal with many people possessing different technical skills and his task is to make this group work as a team. He still continues to require some of the technical skills, but he now needs human relations skills. Similarly, people in the top positions are expected to devote more attention to problems of forward planning and developing the system. Their needs are thus more for conceptual skills so that they may be able to relate their enterpise to the environment.

This discussion on the nature of appropriate skills has important consequences for the type of training programmes which should be developed for those responsible for implementing development plans. The content of the programme as well as the methodology employed should be determined on the basis of the skill requirements at different levels. Emphasis on techniques of management and administration without reference to concepts and approaches being related to the needs of the organization as well as of the individual could make training aetivity an exercise in futility.

IV

Whereas the identification of appropriate skills relates to the subtance of the training to be imparted, the issue of an individual's motivation to learn also needs to be explored. It can be said that an individual will be eager to learn new skills when he considers them relevant for his work but

he would also like to examine the relevance of training effort in terms of the satisfaction of his personal needs. Thus, if an administrative system does not provide for the recognition and reward of higher performance as a result of new learning, the individual attending the training programme is likely to have low motivation to learn and to apply new skills. As can be seen, this is not strictly an issue of training, although it has serious implications for its effectiveness. Therefore, it is necessary that training for plan implementation is developed along with organizational practices which are likely to ensure the utilization of the new skills and competences.

It is well known that the development of administrators and managers is essentially through self-development. The organization can provide facilities and create opportunities to promote such development, but, in the final analysis, an individual will learn only if he is convinced that such learning is important for his performance and his career. The evaluation of the training effectiveness therefore is related to the improvement of performance in the jobs assigned to an individual.

V

Assuming that training is important and persons to be trained are motivated to learn, who should provide such training? This issue has many implications, some of which relate to roles and responsibilities of training institutions and others concern the competence of trainers and quality of the training materials used. During recent years, the number of training institutions in India has proliferated and the quality of training programmes has also improved, but the available training facilities are still not adequate and training is not available at the levels where it is most needed.

In India, there is a tendency to create a new institution for implementing every new idea or scheme. This is supposed to have the advantage of focussing attention on the selected schemes, but this also has a major disadvantage, in that our limited resources are spread over a large area, thereby reducing the possibility of high quality performance. Moreover, we have witnessed failures in a number of institutions, largely because of the non-availability of competent staff and institutional inadequacies. This does not suggest that no new institutions should be established henceforth. But the emphasis should shift from institution-proliferation to institution-building. I feel that our limited resources can be better utilized if the competence in the existing institutions are enlarged and furthered so that they may undertake new responsibilities leading to economics of overheads, pooling of multi-disciplinary competences and broadening of the perspectives of the existing staff. Such an effort at enlarging the scope of the existing institutions can be undertaken by providing resources for additional work. I am of the view that the temptation to create a new institution for every type of training need should be resisted, and an effort made instead to utilize the existing training institutions after strengthening and enlarging their bases of competence.

There is an age-old controversy about the composition of the training staff. If the trainers are primarily senior professionals from the profession, which they will continue to practise, there follows greater acceptance and a perceived relevance of their work. However, this also would imply that the trainers' approach would be limited by their experience and the trainees should therefore opt for the best experience available. The scope for major break-throughs of approach is thus very narrow in this type of situation. On the other hand, exclusive

reliance on "academic staff" is likely to reduce the relevance of training inputs even while providing for opportunities for the infusion of new ideas into the system. Thus, it is necessary that every training institution has an "ideal mix" of the academic and the experienced. Both, together with combined skills and competences, can increase the effectiveness of training. However, care should be taken to see that both the groups have equal status in the institution and neither of them is treated as "second class citizens". This is really important because the experience of one of the leading institutions for administration suggests that this could happen. It is also necessary that the trainers have opportunities for exposure to the problems of the field to enable them to enrich their contribution from the realities of the world of administration and management. This could be achieved by emphasis on consultancy and research assignments for the training staff.

It is often mentioned that our training institutions have relied too much on teaching materials of foreign origin. There is a great deal of truth in this although, during the last ten years or so, there is evidence of concerted efforts to produce teaching material, including cases, exercises and generalizations, based on the situations in this country. This process should naturally continue and the quality of the available materials should be improved.

VI

It may be appropriate here to mention that the training institutions cannot by themselves meet the full requirements of the administrators because 90 per cent of training has to be on the job. This is where the seniors in the hierarchy must assume the role of the coach, the counsel and the guide. Moreover, even if it was possible significantly to increase the resources for training, it would not be possible to provide training facilities for an increasing number of persons who are being continuously shouldered with growing managerial responsiblities in an expanding economy. Therefore, the selection of people for training is of critical importance. In my view, training effort should be focussed on those individuals whose contribution to the overall effectiveness is expected to be very high in terms of the natures of their responsibilities. Thus, although, traditionally, the training of middle and junior-level executives and administrators has been emphasized in India, there is a need to begin training at the top.

I am conscious of the fact that I have not provided a blue-print for organizing training for the development administrators. I did not intend to, and even if I had wanted to, it would not have been feasible. I have emphasized that the substance and the methods of training should be related to training needs for people at different levels in the organizations. Thus, identification of training needs in terms of appropriate skills must be the starting point. I would also like to present the view that training is a continuing process and in formulation of training plans, it should be ensured that at least a sizable proportion of the senior people have opportunities to undergo training once in five years, if not more often. This is important, not only because of changes of emphasis in the skills required but also because of the rapid changes which are taking place in our knowledge about various aspects of administration and management. Finally, training should be viewed as more than a collection of use activities. Even before the idea for a training programme is conceived, the expected results from such a venture should be clearly stated. Ultimately, the test of good training is in the improved performance.

BUREAUCRACY AND ECONOMIC DEVELOPMENT

By

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The bureaucracy can make a varied and significant contribution to the progress of a developing country. It provides the much needed pre-conditions and basic infrastructures of economic development. It also prepares the blue-print for the effective and efficient implementation of plan targets. It provides the organisation for the continuous assessment and evaluation of the results of its own efforts.

The bureaucrats in the colonial set-up were more trained in the arts of maintaining law and order than in those of nation-building. Their interest in Economic Development was peripheral and was confined mostly to *ad hoc* projects of limited duration. With the increasing emphasis on economic progress and the demands on the bureaucracy for maintaining those functions connected with it, a reasonable degree of public probity, the legal and administrative outlook necessary for the improved execution of projects have come to be expected of it.

The inter-dependence of order and output may be obvious to a perceptive observer. In the absence of order, the effectiveness of arrangements for economic development would be markedly reduced.

The Planning and Development process involves the following three basic inter-linked stages :

Stage I : The formulation of the general goals and development and fixation of specific targets in different sectors calculated to achieve the overall objectives. This is to be done within the framework of an ideology supported by as broad a consensus as possible.

Stage II : Mobilization and management of resources geared to specific and overall, short and long-term objectives.

Stage III : Transformation of inputs into outputs so that the objectives of development could be materially realized.

A representative bureaucracy has inevitably to work under political direction and control, and as such, it has little hand in determining the ideology that motivates the process of goal-setting. Choices in this sphere are essentially political. However, the feasibility factor if it is ignored beyond a limit, can mobilize ideologically inspired objectives which are moreover Utopian in character.

In a representative democracy, the political elite may cry hoarse about ' what should be done ? '. The bureaucracy, on the other hand, has to moderate elitist emotion and enthusiasm, educate people as to ' what can be done ?' An understanding political administrator would not lightly disregard the advice and warnings of the bureaucracy in this respect. The bureaucracy, with its experience and expertise, would have the upper hand in determining the sector-wise detailed break-up of the

targets. The other two stages go together and permit considerable scope to the bureaucracy as the principal arm of the political executive. The bureaucracy with its insights and trained human resources can make a meaningful contribution to these stages of development.

In this connection, two more functions of the bureaucracy merit special mention. Inter-sectoral co-ordination is its special charge, and it has a processing function in the communications network. Balancing of projects in the three sectors and co-ordinating programmes ramifying from one sector into another require expert handling. In the processing of communications, in which the the bureaucracy is a key factor, perceptive and trained handling is called for.

While it is true that each of the four human components in the process—the party in power, the bureaucracy, the elites and the masses—have direct links with one another, the day-to-day executive role of the bureaucracy gives it a position of special advantage. As such, its processing function in the communications network assumes an added significance.

Finally, concurrent and periodic appraisal of the progress of plans is necessary. Concurrent evaluation may be done either by an administrative agency itself, or the responsibility may be assigned to an independent organization. A built-in mechanism for concurrent evaluation within the administrative machinery itself is often found useful. Experts from outside can be associated with *ad hoc* assessments at decent intervals. A sincerely motivated bureaucracy is not reluctant to do some serious heart-searching and should not be sensitive to its failures being pointed out by others. Timely correctives can be provided as a result of these efforts. A special effort can be made to see that the intended results are being produced, and at the same time, attempts should be made to look also for unintended consequences of a dysfunctional and injurious nature. Strategies to counteract the latter will save the plans from misdirection. In a developing economy, growth and development are patterned on the mixed economy model. In such a system, the bureaucracy is ideally placed to hold the balance among (1) Private Sector Projects; (2) Public Sector Projects; and (3) Community Development Projects. Such balances can be maintained only by appraisals, assessments and evaluations. It will contribute to the synthesis of the system of development administration along progressive lines and enable it to meet new challenges.

CANONS OF EXECUTION

The primary aims of the plan executive are high standards of integrity, efficiency and speed in implementation. For the execution of any programme or project, the primary need is to fix specific responsibility on the agency concerned and on particular individuals. Within defined limits, each individual should be given full responsibility and, with it, the necessary measure of support and trust. If he fails in the discharge of his responsibility, he should be replaced. But so long as he holds the office with which he is entrusted, he should accept all its obligations, and equally, he should be placed in a position effectively to discharge them.

A necessary condition of placing specific responsibility and providing the means for fulfilling it is that success or failure should be judged by the test of results. This is possible only if, in the planning stage, care is taken to specify the tasks to be undertaken, the means to be employed, the obligations of the various agencies or individuals concerned, and the time

sequence in which different operations must ensue and dovetail into one another. These conditions apply to several branches of administration and, more especialiy, to large projects.

Expansion of training facilities in varions fields of development has received considerable attention. There are certain fields in which, for many years to come, personnel at the highest level will be inadequate or experience of a specific character will not be sufficiently available. In these fields, in the interests of rapid development itself, it would be desirable, over a stated period of time, to arrange to supplement the existing personnel with the available indigenous manpower rather than replace the former.

In the past, there has been considerable under-estimation of the management tasks and implications of large project as well as of programmes of development. To build up competent managers, who know their own jobs and have the ability to lead, is one of the key tasks in every sector. For the most part, these men must be found from the middle grades of personnel within each organization, supplemented, to the extent possible, from other sources. Both within the government and at the project-sites, there has been greater pressure at the higher levels, and enough attention has not been given to the development of the middle grades of personnel. This object can be achieved if persons from these grades are given a greater share of the responsibility in day-to-day work and have the opportunity of gaining experience in the higher functions of management. Along with this, within each project, it is essential to establish this practice of consultation and exchange of views as between different levels within the organisation as well as at each appropriate level of function or management.

TYPES OF TRAINING

Training serves a variety of purposes. For convenience, these have been divided into five major categories although the actual programme may make use of them in a variety of combinations; (1) orientation training; (2) training of a general informational nature; (3) training to change the attitudes to work; (4) leadership training; (5) developmental training; and (6) motivation of Plan Executives. It will be useful for the Programme Director as well as the Training Officer to know in general the potentials as well as some of the limitations of each.

Orientation Training: New employees, to be effective employees, need to have an understanding of the organization, its purposes and objectives at the time they join it. They need to know something of its history, its means of 'making a living,' its leadership, its clientele, and its problems. This applies to all employees, whether professional, administrative, clerical or labour. The degree of orientation will, of course, vary with the level.

Most important of all, employees need to know how they fit into the scheme of things; how the work they do relates to the work of other people; how it contributes to the total agency product; how these contributions will be judged; and by whom?

The orientation programme need not be a long or an elaborate one. An introduction to the job may take a few hours, or several weeks, as in the case of more elaborate academic programmes.

TRAINING OF A GENERAL INFORMATIONAL NATURE

Most employees do not have a clear knowledge of what is expected of them.

This suggests the importance of some kind of a continuing training programme of a general informational or co-ordinational nature. The failure to supply the needed information forces the employers to depend on their own imagination for facts and on rumours. In many ways, information training is the simplest to administer. It consists of providing staff with continuing information through announcements, circulars, house publications and other media, and also in holding as necessary meetings where people can be informed of what is going on in the organization and can discuss its implications.

Training Designed to Change Attitudes; A ype of training which holds great promise, it to date has been used only in a limited y is that designed to change attitudes or nts of view.

change is involved in all types but emphasis upon learning s of new skills often obscures nd new attitudes must be ultaneously and learned to-

rogramme whose purpose ge is never easy. It is it to be done as part of ning programmes rather e in itself.

Leadership Training: Much progress has been made during recent years in training in the leadership areas. The generic term "leadership" is used here but such functional programmes are ordinarily designated as "supervisory," "management," "administrative," or "executive". They encompass all levels of supervision ranging from foremen to company directors and from supervisory clerks to government secretaries.

A nnmber of executive programmes conducted by Universities or Institutes of Public Administration, and Staff Colleges can devise programmes in this field with good results.

Development Training: This is the most sophisticated of the training programmes. Developmental training requires an Agency, first of all, to assess the future needs of the country for skilled personnel against which the potential of its present employees is to be appraised. It should undertake to provide long-range career planning and training programmes which will prepare the employees meet the prospective needs of specialized assignments.

Motivation of Plan Executives: Plan Executives generally press themselves towards definable goals and naturally seek to create conditions under which they are most likely to attain them. On the whole, they prefer to guide and direct; they are reluctant to rest their fate on people whose actions they cannot predict.

The more ambiguous the environment in which they operate, the more the executives will feel threatened; for the steps to goal attainment will be less clear and the sources of potential trouble less discernible. Therefore many executives tend to concern themselves with procedures and to prefer a well-defined organizational structure.

Plan executives should be men of ambition who are powerfully motivated by distant goals of success. To get where they want to go, however, they should learn to be intensely self-critical. From the day they take over the reins of Plan Administration, most Plan Executives should be secretly dissatisfied with their own work. The desire to improve the

quality of their decisions and activities should be as intense as their drive to increase the community's progress. This view is advocated by the psychologist, Lyle Spencer.

RESEARCH INSTITUTIONS AND IMPLEMENTATION

Organizations of scientists should be closely associated with the implementation of programmes. The Department of Agriculture has attempted to bring this about through setting up panels of agricultural scientists, agricultural economists and agricultural administrators. A co-ordinative effort of this kind requires to be made down the line to ensure t administration and science share burdens and problems of implementati concurrently.

Universities can develop courses managerial training and they may be addı on to their regular Degree Courses. Th will mitigate the rigours of unemployme for the pure, dry-as-dust, academicall trained graduates. Nearer home, a Madras, special research institutes hav lately been established. To mention onl two, the Madras Institute of Development Studies and the Institute for Techno-economic Studies may well undertake the task of training Plan Executives for this developing country.

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